University of London

REPORTS

FROM

COMMITTEES:

SEVEN VOLUMES.

—(2.)—

BANKS OF ISSUE.

Session

5 February —— 13 *August* 1875.

VOL. IX.

1875.

REPORTS FROM COMMITTEES:

1875.

SEVEN VOLUMES:—CONTENTS OF THE

SECOND VOLUME.

N.B.—*THE* Figures *at the* beginning of the line, *correspond with the* N° *at the foot of each* Report; *and the* Figures *at the* end of the line, *refer to the* MS. Paging *of the Volumes arranged for The House of Commons.*

BANKS OF ISSUE:

351. Report from the Select Committee on Banks of Issue; together with the Proceedings of the Committee, Minutes of Evidence, Appendix, and Index - - - - - - - - p. 1

REPORT

FROM THE

SELECT COMMITTEE

ON

BANKS OF ISSUE;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

AND APPENDIX.

Ordered, by The House of Commons, *to be Printed,*
22 *July* 1875.

351.

Wednesday, 17th March 1875.

Ordered, THAT a Select Committee be appointed to consider and report upon the restrictions imposed and privileges conferred by Law on Bankers authorised to make and issue Notes in England, Scotland, and Ireland respectively.

Tuesday, 13th April 1875.

Ordered, THAT the Committee do consist of Twenty-one Members.

Committee nominated of—

Mr. Chancellor of the Exchequer.	Mr. Balfour.
Mr. Goschen.	Mr. Norwood.
Mr. Stephen Cave.	Mr. Orr Ewing.
Mr. Campbell-Bannerman.	Mr. Mundella.
Sir Graham Montgomery.	Mr. Torr.
Sir John Lubbock.	Mr. William Shaw.
Mr. Hubbard.	Mr. Beckett Denison.
Mr. Anderson.	Mr. Backhouse.
Mr. Mulholland.	Mr. Kavanagh.
Mr. Leveson Gower.	Mr. Sampson Lloyd.
	Mr. Hussey Vivian.

Ordered, THAT the Committee have power to send for Persons, Papers, and Records.

Ordered, THAT Five be the Quorum of the Committee.

Thursday, 22nd July 1875.

Ordered, THAT the Committee have power to report their observations, together with the Minutes of Evidence taken before them, and Appendix, to The House.

REPORT - - - - - - - - - - - - - - - p. iii

PROCEEDINGS OF THE COMMITTEE - - - - - - - - p. iv

MINUTES OF EVIDENCE - - - - - - - - - - - p. 1

APPENDIX - - - - - - - - - - - - - - - p. 427

REPORT.

THE SELECT COMMITTEE appointed "to consider and report upon the Restrictions imposed and Privileges conferred by LAW on BANKERS authorised to make and issue NOTES in *England, Scotland,* and *Ireland* respectively";——HAVE considered the matters to them referred, and have agreed to the following REPORT:—

YOUR Committee have examined a considerable number of witnesses, and have agreed to report the Minutes of Evidence to the House; but they have not had time to prepare a Report thereon in the present Session, and they consequently recommend their re-appointment next year.

22 *July* 1875.

PROCEEDINGS OF THE COMMITTEE.

Monday, 19*th April* 1875.

MEMBERS PRESENT:

Mr. Orr Ewing.
Mr. Anderson.
Mr. Torr
Mr. William Shaw.
Mr. Sampson Lloyd.
Mr. Campbell-Bannerman.
Mr. Backhouse.
Mr. Mulholland.
Mr. Hussey Vivian.
Sir Graham Montgomery.
Mr. Chancellor of the Exchequer.
Mr. Goschen.
Sir John Lubbock.
Mr. Norwood.
Mr. Balfour.
Mr. Beckett Denison.

Mr. Chancellor of the Exchequer was called to the Chair.

The Committee deliberated.

Memorandum handed in by Chairman to be printed.

[Adjourned till Thursday next, at One o'clock.

Thursday, 22*nd April* 1875.

MEMBERS PRESENT:

Mr. Chancellor of the Exchequer in the Chair.

Mr. Leveson Gower.
Sir John Lubbock.
Mr. Anderson.
Mr. Hubbard.
Mr. Backhouse.
Mr. Beckett Denison.
Mr. Orr Ewing.
Mr. Torr.
Mr. Goschen.
Mr. Norwood.
Mr. William Shaw.
Mr. Mulholland.
Mr. Hussey Vivian.
Mr. Sampson Lloyd.
Sir Graham Montgomery.
Mr. Balfour.
Mr. Campbell-Bannerman.
Mr. Mundella.

The Committee deliberated.

Mr. *William Simpson Fleming* was examined.

[Adjourned till Thursday next, at Twelve o'clock.

Thursday, 29*th April* 1875.

MEMBERS PRESENT:

Mr. Chancellor of the Exchequer in the Chair.

Mr. Campbell-Bannerman.
Mr. Orr Ewing.
Mr. Anderson.
Mr. Torr.
Mr. Beckett Denison.
Sir John Lubbock.
Mr. Backhouse.
Mr. William Shaw.
Mr. Sampson Lloyd.
Mr. Hussey Vivian.
Mr. Leveson Gower.
Mr. Kavanagh.
Mr. Balfour.
Mr. Mundella.
Sir Graham Montgomery.
Mr. Hubbard.
Mr. Mulholland.
Mr. Goschen.
Mr. Norwood.

Mr.

Mr. *James Fitzjames Stephen*, Q.C., was examined.

Mr. *William Simpson Fleming*, was further examined.

Sir *Henry Thring*, C.B., was examined.

The Committee deliberated.

Ordered, That application be made to the Speaker that Copies of the Evidence be supplied to the Manager of the Bank of Scotland, the Governor of the Bank of Ireland, the Secretary of the Committee of Bankers, and the Governor of the Bank of England.

[Adjourned till Monday next, at One o'clock.

Monday, 3rd May 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Mr. Orr Ewing.	Mr. Backhouse.
Mr. Anderson.	Mr. Kavanagh.
Mr. Mundella.	Mr. Beckett Denison.
Sir John Lubbock.	Sir Graham Montgomery.
Mr. Campbell-Bannerman.	Mr. Goschen.
Mr. Hussey Vivian.	Mr. Torr.
Mr. Sampson Lloyd.	Mr. Hubbard.
Mr. Mulholland.	Mr. William Shaw.

Mr. *J. W. Tatham* was examined.

The Committee deliberated.

[Adjourned till Thursday next, at Two o'clock.

Thursday, 6th May 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Mr. Campbell-Bannerman.	Mr. William Shaw.
Sir Graham Montgomery.	Mr. Torr.
Mr. Orr Ewing.	Mr. Mulholland.
Mr. Anderson.	Mr. Backhouse.
Sir John Lubbock.	Mr. Goschen.
Mr. Hussey Vivian.	Mr. Balfour.
Mr. Sampson Lloyd.	Mr. Beckett Denison.
Mr. Kavanagh.	Mr. Hubbard.
Mr. Leveson Gower.	

Mr. *David Davidson* and Mr. *Charles Gairdner* were severally examined.

[Adjourned till Monday next, at Twelve o'clock.

Monday, 10*th May* 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Mr. Campbell-Bannerman.
Mr. William Shaw.
Mr. Orr Ewing.
Mr. Leveson Gower.
Mr. Sampson Lloyd.
Sir John Lubbock.
Mr. Backhouse.
Mr. Anderson.
Mr. Balfour.
Mr. Mulholland.
Sir Graham Montgomery.
Mr. Goschen.
Mr. Beckett Denison.
Mr. Kavanagh.
Mr. Torr.
Mr. Hussey Vivian.
Mr. Mundella.

Mr. *David Davidson* and Mr. *Charles Gairdner* were further examined.

[Adjourned till Thursday next, at Twelve o'clock.

Thursday, 13*th May* 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Sir Graham Montgomery.
Mr. Campbell-Bannerman.
Mr. Kavanagh.
Mr. Backhouse.
Mr. Leveson Gower.
Mr. Balfour.
Mr. Hussey Vivian.
Mr. Anderson.
Mr. Mundella.
Mr. Mulholland.
Mr. Sampson Lloyd.
Mr. Goschen.
Mr. Orr Ewing.
Mr. William Shaw.
Mr. Torr.

Mr. *Charles Gairdner* and Mr. *James Simpson Fleming* were further examined.

[Adjourned till Monday, 31st May, at Twelve o'clock.

Monday, 31*st May* 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Mr. William Shaw.
Mr. Leveson Gower.
Mr. Backhouse.
Mr. Orr Ewing.
Mr. Anderson.
Sir John Lubbock.
Mr. Hussey Vivian.
Mr. Hubbard.
Mr. Balfour.
Mr. Beckett Denison.
Mr. Goschen.
Mr. Kavanagh.
Sir Graham Montgomery.
Mr. Torr.
Mr. Mulholland.
Mr. Stephen Cave.

Mr. *R. B. Wade* and Mr. *Edward Atkinson* were severally examined.

[Adjourned till Thursday next, at Twelve o'clock.

Thursday, 3rd June 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Mr. Balfour.	Mr. Goschen.
Mr. William Shaw.	Mr. Kavanagh.
Mr. Orr Ewing.	Mr. Hubbard.
Mr. Stephen Cave.	Mr. Mulholland.
Mr. Backhouse.	Mr. Hussey Vivian.
Mr. Sampson Lloyd.	Sir Graham Montgomery.
Sir John Lubbock.	Mr. Beckett Denison.
Mr. Anderson.	

Mr. *Thomas Fitzgerald*, Mr. *James H. Belton*, and Mr. *Edward James Mills*, were severally examined.

[Adjourned till Monday next, at Twelve o'clock.

Monday, 7th June 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Mr. Mundella.	Mr. Backhouse.
Mr. Orr Ewing.	Sir Graham Montgomery.
Mr. Mulholland.	Mr. Stephen Cave.
Mr. Beckett Denison.	Mr. Anderson.
Sir John Lubbock.	Mr. Goschen.
Mr. Sampson Lloyd.	Mr. Torr.
Mr. Kavanagh.	Mr. Balfour.
Mr. William Shaw.	Mr. Hubbard.

Mr. *Edward James Mills* was further examined.

Mr. *Peter DuBedat* and Mr. *James Bristow* were severally examined.

[Adjourned till Thursday next, at One o'clock.

Thursday 10th June 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Mr. Backhouse.	Mr. Sampson Lloyd.
Mr. Kavanagh.	Mr. Balfour.
Mr. Orr Ewing.	Mr. William Shaw.
Mr. Campbell-Bannerman.	Mr. Goschen.
Sir John Lubbock.	Mr. Torr.
Mr. Anderson.	Mr. Stephen Cave.
Mr. Leveson Gower.	Mr. Mulholland.

Mr. *George Readman* and Mr. *William B. Gordon* were severally examined.

Mr. *James Simpson Fleming* was further examined.

[Adjourned till Monday next, at Twelve o'clock.

Monday, 14*th June* 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Mr. Backhouse.	Sir Graham Montgomery.
Mr. Sampson Lloyd.	Mr. William Shaw.
Mr. Hussey Vivian.	Mr. Beckett Denison.
Sir John Lubbock.	Mr. Hubbard.
Mr. Anderson.	Mr. Stephen Cave.
Mr. Kavanagh.	Mr. Goschen.
Mr. Leveson Gower.	Mr. Torr.
Mr. Campbell-Bannerman.	Mr. Balfour.
Mr. Orr Ewing.	Mr. Mulholland.

Mr. *William Bonnallie Gordon* was further examined.
Mr. *Frederick Seebohm* was examined.

[Adjourned till Thursday next, at Twelve o'clock.

Thursday, 17*th June* 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Sir John Lubbock.	Mr. Anderson.
Mr. Kavanagh.	Mr. Beckett Denison.
Mr. Backhouse.	Mr. Mulholland.
Mr. Leveson Gower.	Mr. Goschen.
Mr. Campbell-Bannerman.	Mr. Orr Ewing.
Sir Graham Montgomery.	Mr. Stephen Cave.
Mr. Sampson Lloyd.	Mr. Torr.
Mr. Hussey Vivian.	

Mr. *Frederick Seebohm* was further examined.

The Committee deliberated.

Resolved, That there be laid before the Committee—

1. A Return of the Daily Note Circulation of the Six following Banks, viz.—

   The National Bank of Scotland,
   Aberdeen Town and County Bank,
   North of Scotland Banking Company,
   Clydesdale Banking Company,
   City of Glasgow Bank,
   Caledonian Banking Company,

   (before giving effect to daily exchange), for the four weeks from Monday, 29th March, to Saturday, 24th April 1875, inclusive.

2. The amount of Notes of all the Scotch Banks received at such exchange during the same period.

3. The total amount of the Working Expenses of the Joint Stock Banks in England, Scotland, and Ireland, distinguishing between rent, or interest on money expended in buildings, and other expenses, and omitting interest on capital and reserves—(*Sir John Lubbock*).

The Honourable *Alexander Leslie Melville* was examined.

Mr. *James Simpson Fleming* was further examined.

[Adjourned till Monday next, at Twelve o'clock.

Monday, 21*st June* 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Mr. Hubbard.
Mr. Mundella.
Mr. William Shaw.
Mr. Backhouse.
Mr. Sampson Lloyd.
Sir John Lubbock.
Mr. Anderson.
Mr. Orr Ewing.
Sir Graham Montgomery.
Mr. Campbell-Bannerman.
Mr. Goschen.
Mr. Leveson Gower.
Mr. Stephen Cave.
Mr. Torr.

Mr. *George Rae* and Mr. *Robert Harry Inglis Palgrave* were severally examined.

[Adjourned till Thursday next, at Twelve o'clock.

Thursday, 24*th June* 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Mr. Orr Ewing.
Mr. Anderson.
Sir John Lubbock.
Mr. Hussey Vivian.
Mr. Sampson Lloyd.
Mr. Backhouse.
Mr. William Shaw.
Mr. Mundella.
Mr. Mulholland.
Mr. Goschen.
Mr. Campbell-Bannerman.
Mr. Leveson Gower.
Sir Graham Montgomery.
Mr. Torr.
Mr. Beckett Denison.
Mr. Stephen Cave.
Mr. Hubbard.

Mr. *Robert Harry Inglis Palgrave* was further examined.

[Adjourned till Monday next, at Twelve o'clock.

Monday, 28*th June* 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Sir Graham Montgomery.
Mr. Orr Ewing.
Mr. Anderson.
Sir John Lubbock.
Mr. William Shaw.
Mr. Sampson Lloyd.
Mr. Backhouse.
Mr. Campbell-Bannerman.
Mr. Hussey Vivian.
Mr. Leveson Gower.
Mr. Beckett Denison.
Mr. Kavanagh.
Mr. Goschen.
Mr Mulholland.
Mr. Torr.
Mr. Mundella.
Mr. Stephen Cave.

Mr. *Robert Harry Inglis Palgrave* was further examined.

[Adjourned till Thursday next, at Twelve o'clock.

Thursday, 1*st July* 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Sir Graham Montgomery.
Mr. Backhouse.
Mr. Sampson Lloyd.
Sir John Lubbock.
Mr. William Shaw.
Mr. Kavanagh.
Mr. Campbell-Bannerman.
Mr. Balfour.
Mr. Orr Ewing.
Mr. Mulholland.
Mr. Anderson.
Mr. Leveson Gower.
Mr. Hussey Vivian.
Mr. Beckett Denison.
Mr. Goschen.
Mr. Stephen Cave.

Mr. *Robert Harry Inglis Palgrave* was further examined.

Mr. *John Dun* was examined.

[Adjourned till Monday next, at Twelve o'clock.

Monday, 5*th July* 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Sir John Lubbock.
Sir Graham Montgomery.
Mr. Sampson Lloyd.
Mr. Anderson.
Mr. Campbell-Bannerman.
Mr. William Shaw.
Mr. Backhouse.
Mr. Orr Ewing.
Mr. Beckett Denison.
Mr. Balfour.
Mr. Mulholland.
Mr. Goschen.
Mr. Hussey Vivian.

Mr. *Thomas Cooke* was examined.

[Adjourned till Thursday next, at Twelve o'clock.

Thursday, 8*th July* 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Sir John Lubbock.
Mr. Backhouse.
Sir Graham Montgomery.
Mr. Kavanagh.
Mr. Goschen.
Mr. Sampson Lloyd.
Mr. Anderson.
Mr. Orr Ewing.
Mr. Campbell-Bannerman.
Mr. William Shaw.
Mr. Balfour.
Mr. Leveson Gower.
Mr. Norwood.
Mr. Stephen Cave.
Mr. Torr.

Mr. *Jervoise Smith* was examined.

Mr. *David Davidson* was further examined.

Mr. *William Hamilton Crake* was examined.

[Adjourned till Monday, the 19th, at Twelve o'clock.

Monday, 19*th July* 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Mr. Campbell-Bannerman.	Mr. Leveson Gower.
Sir Graham Montgomery.	Mr. William Shaw.
Mr. Orr Ewing.	Mr. Torr.
Mr. Anderson.	Mr. Mulholland.
Sir John Lubbock.	Mr. Goschen.
Mr. Hubbard.	Mr. Balfour.
Mr. Sampson Lloyd.	Mr. Stephen Cave.
Mr. Backhouse.	Mr. Beckett Denison.
Mr. Kavanagh.	

Mr. *Edward H. Palmer* and Mr. *Kirkman D. Hodgson* (a Member of the House) were severally examined.

[Adjourned till Thursday next, at Twelve o'clock.

Thursday, 22*nd July* 1875.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER in the Chair.

Sir John Lubbock.	Mr. Orr Ewing.
Mr. Hubbard.	Mr. Anderson.
Mr. Backhouse.	Mr. Kavanagh.
Mr. Leveson Gower.	Mr. Goschen.
Mr. William Shaw.	Mr. Sampson Lloyd.
Mr. Balfour.	Mr. Torr.
Mr. Mundella.	Sir Graham Montgomery.
Mr. Campbell-Bannerman.	Mr. Stephen Cave.

Mr. *Walter Bagehot* was examined.

REPORT read, and *agreed to.*

Ordered, To Report, together with the Minutes of Evidence and Appendix.

LIST OF WITNESSES.

PAGE.

Thursday, 22*nd April* 1875.

Mr. James Simpson Fleming - - - 1

Thursday, 29*th April* 1875.

Mr. James Fitzjames Stephen, Q.C. - - 16
Mr. James Simpson Fleming - - - 32
Sir Henry Thring - - - - - 32

Monday, 3*rd May* 1875.

Mr. William Tatham - - - - - 39

Thursday, 6*th May* 1875.

Mr. David Davidson - - - - 57
Mr. Charles Gairdner - - - - 63

Monday, 10*th May* 1875.

Mr. David Davidson, and Mr. Charles Gairdner - - - - - - 67

Thursday, 13*th May* 1875.

Mr. Charles Gairdner, and Mr. James Simpson Fleming - - - - - 87

Monday, 31*st May* 1875.

Mr. Richard Blaney Wade, and Mr. Edward Atkinson - - - - 111

Thursday, 3*rd June* 1875.

Mr. Thomas Fitzgerald, and Mr. James H. Belton - - - - - - - 135
Mr. Edward James Mills - - - 148

Monday, 7*th June* 1875.

Mr. Edward James Mills - - - 155
Mr. Peter Du Bedat - - - - 159
Mr. James Thomson Bristow - - - 173

Thursday, 10*th June* 1875.

Mr. George Readman - - - - 180
Mr. William Bonnallie Gordon - - 190
Mr. James Simpson Fleming - - - 196

PAGE.

Monday, 14*th June* 1875.

Mr. William Bonnallie Gordon - - 198
Mr. Frederic Seebohm - - - - 214

Thursday, 17*th June* 1875.

Mr. Frederic Seebohm - - - - 225
Hon. Alexander Leslie Melville, and Mr. James Simpson Fleming - - - 241

Monday, 21*st June* 1875.

Mr. George Rae - - - - - 247
Mr. Robert Harry Inglis Palgrave - - 268

Thursday, 24*th June* 1875.

Mr. Robert Harry Inglis Palgrave - - 271

Monday, 28*th June* 1875.

Mr. Robert Harry Inglis Palgrave - - 290

Thursday, 1*st July* 1875.

Mr. Robert Harry Inglis Palgrave - - 312
Mr. John Dun - - - - - 312

Monday, 5*th July* 1875.

Mr. Thomas Cooke - - - - - 336

Thursday, 8*th July* 1875.

Mr. Jervoise Smith - - - - 357
Mr. David Davidson - - - - 374
Mr. William Hamilton Crake - - - 375

Monday, 19*th July* 1875.

Mr. Kirkman Daniel Hodgson, M.P., and Mr. Edward Howley Palmer - - - 381

Thursday, 22*nd July* 1875.

Mr. Walter Bagehot - - - - 407

MINUTES OF EVIDENCE.

Thursday, 22nd April 1875.

MEMBERS PRESENT:

Mr. Anderson.
Mr. Backhouse.
Mr. Balfour.
Mr. Campbell-Bannerman.
Mr. Chancellor of the Exchequer.
Mr. Beckett Denison.
Mr. Orr Ewing.
Mr. Goschen.
Mr. Leveson Gower.
Mr. Hubbard.
Mr. Sampson Lloyd.
Sir John Lubbock.
Sir Graham Montgomery.
Mr. Mulholland.
Mr. Mundella.
Mr. Norwood.
Mr. William Shaw.
Mr. Torr.
Mr. Hussey Vivian.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. JAMES SIMPSON FLEMING, called in; and Examined.

Chairman.

1. YOU are the Manager of the Royal Bank of Scotland, are you not?—I am.

2. How long have you been connected with that bank?—About four years.

3. Your attention has been directed to the question of the privileges and the state of the law affecting banks in Scotland; and I think you last year sent a memorandum to the Treasury in connection with the memorandum which was drawn up by Sir Henry Thring, did you not?—Yes. I was asked by Sir Henry Thring to prepare a memorandum on the subject.

4. Your attention has been directed to that memorandum?—It has.

5. Are there any points in your own memorandum to which you would wish to call attention, or on which you have any further suggestions to make?—I think not. What Sir Henry Thring asked me to furnish him with, on the suggestion of the Lord Advocate, was a memorandum on the legal history of the Scotch Banking system. The memorandum which I prepared is a simple statement of the law, and of the constitution of the various banks existing in Scotland.

6. At the time of the passing of the Act of 1845 there were existing in Scotland 24 banks, were there not?—There was a Return ordered in 1864, which shows exactly the number of banks then existing. There were 20 banks on the 1st January 1845.

7. The number is now reduced to 11, is it not?—It is.

8. All those banks are banks of issue, are they not?—They are.

Chairman—continued.

9. And they are all Joint Stock Banks?—They are all Joint Stock Banks.

10. Can you inform the Committee whether there are any arrangements made between those banks which amount to their acting in common upon any point?—They act in common upon this point: when the Bank of England minimum rate of discount is changed, the banks in Scotland meet and fix what are to be their rates, and so act in common; that is to say, they fix the rates allowed to depositors, and they fix the rates charged on the discount of bills and for other advances. In no other respect do they act in common, except upon questions in which their interests are involved, as, for example, the matters now before the Committee.

11. Is there a clearing house?—There is a clearing house.

12. Is there any understanding amongst the banks that they should cash each others notes?—There is no formal understanding, but it has always been the practice.

13. They are all independent banks, entirely standing upon their own bottoms?—They are entirely independent of each other.

14. Those banks are upon a different footing, are they not, with regard to the conditions upon which they may carry on their business; that is to say, that some have greater powers under their charters or Acts of Parliament than others have?—The five senior banks are all chartered banks; the six junior banks are all incorporated under the Companies Act of 1862.

15. The charters under which some of those banks act restrict them to carrying on their busi-

Mr. *J. S. Fleming.*

22 April 1875.

Chairman—continued.

ness in Scotland, do they not?—That was so in the case of the Royal Bank of Scotland.

16. Is it the case with any others?—I am not aware as to that, and I should not feel justified in pronouncing any opinion upon the restraints affecting individual banks.

17. What do you understand to be the restrictions which are placed upon the banks of Scotland generally, in respect of the business that they may do out of Scotland?—I am not aware that by law there is any restriction imposed upon the banks in Scotland in that respect, provided their own constitution permits them to carry on business elsewhere.

18. They are not allowed to issue notes in England, are they?—They are restrained, in that respect, by the Act of 1844.

19. Are they allowed to cash their own notes in England?—I am not aware that they have any special power or authority to cash their own notes. The practice of the Scotch banks has been to cash their notes at whatever office they were presented, although they are not payable except at the head office in Edinburgh, or Glasgow, or Aberdeen, as the case may be.

20. Would a Scotch bank which had established itself in London cash its own notes in London if presented?—With regard to the branch of the Royal Bank, which has been in existence in the City of London since the month of August last, I happened yesterday to put the question, and I find that since the month of August last down to this day they have cashed in London 680*l.* worth of notes, of which about ten per cent. were the notes of other Scotch banks. That is the extent to which it has been carried here.

Sir *G. Montgomery.*

21. Without any charge?—With a charge of 2*d.* for each 1*l.* note.

Chairman.

22. Is that the charge made for cashing the notes of other banks?—Yes, and of their own also.

23. Is it the habit with English bankers to cash Scotch notes, making a charge for so doing?—It is.

24. Do they make the same charge as the Scotch banks do?—That I cannot answer; I only know that we have several correspondents in the north of England who cash large quantities of Scotch notes, and who send them down to us to be cleared in Scotland, but I do not know what charge they make. When the Royal Bank established an office in London it was an instruction to our representative not to cash notes without making a charge, and to find out what charge was made by others, and to act upon that principle; but in reality the thing is a mere trifle so far as London is concerned, because when I say that only 680*l.* has been cashed during the last eight or nine months, it is obvious that there is no demand.

25. Can you state whether any large number of your notes are cashed in England and in the northern counties of England?—I certainly should not say that any large number of our notes are cashed in England.

26. I suppose a certain number are brought over the Border?—No doubt.

27. Are those generally presented to English banks, or are they sent back into Scotland?—I presume that the holder takes them to his own banker; that the English banker sends them to his correspondent in Scotland; and that the correspondent gives credit for his own notes, passing the remainder through the clearing house in Scotland.

28. What is the nature of the change which has been made in the case of the Scotch banks which have carried on business through an agent in London, and which now desire to establish, or have established, offices of their own in London?—The object is to give greater facilities to the customers of the bank who have London connections. But in order to answer that question properly and fully, I should explain to the Committee the change which has come over the course of commercial business during the last 20 or 30 years. Thirty years ago, I daresay it was quite an exception for a Scotch merchant to accept bills payable in London, or to think of having a London banking account; but now-a-days it is quite an exception with large mercantile houses in Glasgow and Dundee, and other Scotch towns, to accept a bill payable in Scotland; they are all domiciled in London. Their remittances from abroad come home in the shape of bills drawn on London, and payable there. It is obvious therefore that a Scotch merchant whose transactions are of that character has a very great temptation to open an account with a London banker, because he can retire through that account his own acceptances, and he can discount either with his banker or with bill brokers the remittances which he receives. We found therefore, in Scotland, that this temptation arising from the change of business was leading our own customers to think of opening accounts with London bankers; and for our own preservation and self-defence we considered that it was necessary to be able to offer to our customers the same facilities. That really was I believe what led the National Bank of Scotland, who came to London about 10 years ago, to think of coming. Those, certainly, were the circumstances which led the Royal Bank of Scotland to attach importance to the extension of their charter.

29. You could not carry on that business with the same convenience through an agent?—Clearly not; we could not give through an agent the facilities of a bank account at all; we should be simply transferring to the agent the account of our own customer, who might be a very valuable one, and leaving him to transact his business through the London bank.

30. Do you attach great importance to having the power of establishing offices in London?—Certainly; very great importance.

31. What would be the position of an English bank which might establish itself or establish a branch in Scotland?—Exactly the same, I take it, as a Scotch bank establishing a branch in England; that is to say, it would have to transact its business with cash of some kind or other, or the representative of cash, differing from its own notes issued, and for which consequently it must pay.

32. What is the state of the law with regard to the issue of notes by banks in Scotland?—By the Act of 1844 new banks of issue were prohibited in all parts of the United Kingdom. By the Act of 1845, which applies to Scotland alone, the banks were prohibited from issuing notes except to the extent of their authorised limit, plus

Chairman—continued.

plus the gold and silver coin which, on the average of four weeks, they might hold at their head office. That is the only restraint upon the amount of notes in circulation in Scotland.

33. What is the interpretation put upon that part of the law which you describe by saying that they may issue beyond the authorised amount of issue the amount that they hold in gold?—Under the Act of 1845 it is fixed that the amount in circulation shall be taken to be the average amount in periods of four weeks. The amount which may be in circulation is determined by the average quantity of gold and silver coin held at the head office during the same period, in addition to the certificated amount.

34. Are you aware that it is alleged that, according to the mode in which the averages are taken, a larger amount of notes are issued by the Scotch banks than would be issued; for instance, if the amount of gold was ascertained in the same way as it is in the Issue Department of the Bank of England?—That no doubt is so; for under our system of exchanges in Scotland throughout the country (I am not speaking at present of Edinburgh or Glasgow, but of the smaller branches), exchanges take place only once a week, on Saturday. It is the etiquette of the Scotch banks that they do not issue the notes of each other, so that supposing the Bank of Scotland and the Royal Bank both represented in some town in Scotland, the Bank of Scotland would go on from Monday morning to Saturday issuing its own notes, and so would the Royal Bank; and then on Saturday they would exchange the amounts held by them respectively; so that no doubt there is an excess of actual issue, if you regard as issue or circulation the notes which are lying unused in the hands of the respective banks; but there is certainly no excess of circulation in the hands of the public as distinguished from the banks.

Mr. *Goschen.*

35. If a bank failed, the excess over the average would be one of the liabilities of the bank, would it not?—No doubt.

36. And when the Great Western Bank of Scotland failed, did it not turn out to be the case that the amount out in bank notes was very much larger than the weekly average showed?—That was so; because during the last few days of the existence of the Western Bank of Scotland there was a run on its deposits, and those deposits were paid in its own notes, which were immediately handed over to other banks. If I recollect rightly, 720,000*l.* of notes were out on the day on which the Western Bank of Scotland stopped, while its average circulation was about 440,000*l.*

37. So that that system admits of a very much larger issue of notes than really appears upon the face of the Act of Parliament?—The law is intended to permit that, and it does so undoubtedly, and that is its real value.

38. Then if anyone were to add up from the Act of Parliament the authorised issue, and to accept that issue as a correct statement of the amount, he would come to an erroneous conclusion?—Not as to the amount authorised, nor as to the amount in actual circulation.

39. What is the day in the week when the exchange generally takes place?—The return is made up at the close of business on Saturday, when, in point of fact, the circulation is at its highest point. If you exclude from the circulation the notes which are lying unused in the hands of other banks, the circulation in the hands of the public is greater at the close of business on Saturday than it would be on any other day of the week.

Mr. *Goschen*—continued.

40. But does not the case which you have spoken to with regard to the Great Western Bank of Scotland show that, under some circumstances, the system admits of a larger number of notes being issued without their being represented by bullion than appears to be authorised by the Act of Parliament, adding together all the various amounts to be issued by the various banks?—As I understand, the intention of the Act of 1845 was to secure that the average amount of circulation in the hands of the public should be covered. That certainly is always the case. At present the Scotch banks have a circulation in the aggregate of something like six millions, and they hold gold to the extent of four millions, and their authorised issue is two millions and three quarters, so that there is a surplus of gold of very nearly a million at the present moment.

41. But it is a privilege, and a valuable privilege, as I understand, of the Scotch banks, that they are not obliged merely to issue the exact amount of what is called the authorised issue without its being represented by bullion, but that they may issue an amount based on an average taken on a particular day of the week?—Undoubtedly that is a very valuable privilege, both to the banks and to the public, and it differs from the privilege of the English banks in that respect.

42. If the Scotch banks were deprived of that privilege, would it not practically reduce the amount of notes which they are allowed to issue without its being represented by bullion?—If the Scotch banks were deprived of that privilege, then practically the value of their circulation would be gone; because its value does not consist in the circulation which is in the hands of the public, for that, especially in the case of the Royal Bank of Scotland, is of no value whatever. We circulate something like 700,000*l.* of notes on the average of the year, and we hold about 600,000*l.* in gold. We maintain at a certain cost this circulation of 700,000*l.*, and the result is an absolute loss instead of a profit. But the advantage of the circulation, or rather of the right of issue, is that we are enabled, as I think Sir John Lubbock stated, in the course of the debate in the House of Commons the other week, to keep till-money at our various establishments in the shape of our own notes, although those notes never go, on the average, into circulation. I think Sir John Lubbock quite correctly represented the working of the system, although I am not prepared to admit the accuracy of his figures.

43. Do the notes that you hold in the tills of your own branches count as part of the notes in the hands of the public?—Clearly not; because the circulation is defined by the Act of 1845 to be what we have parted with.

44. Then you have two privileges; you have the privilege of issuing notes in the hands of the public, and supplying the Scotch public with that which they require and like; and besides that, you have the privilege of being able to keep your notes in your till?—I am scarcely prepared

Mr. *J. S. Fleming.*

22 April 1875.

Mr. *Goschen*—continued.

to admit that it is a privilege; but we have that right, and we attach great value to it.

45. Take the case of another bank which could not issue its own notes to the public; in what position would that bank be?—That bank must necessarily find a circulating medium for itself.

46. And that circulating medium would not be taken by the Scotch public?—We should not thank them for circulating our notes; that would be a loss to ourselves. We could only supply them with our notes by increasing our stock of gold, so that it would be a disadvantage to us.

47. Why would it be a disadvantage; would you not be able to get the gold with the notes?—The notes cost us 20 *s.* for every 1 *l.*, plus the expense of making them, when we are in excess of our authorised issue, as we all are; whereas gold costs us only 20 *s.* for every 1 *l.*

48. Have you not the further legal privilege that the gold which you hold does not only cover the notes, but it covers also your general liabilities?—I have no doubt that is the law. We are like the Bank of England in that respect, as I understand the law applicable to the Bank of England, as it was explained on one occasion before a Committee of this House.

49. When you make your statements, in calculating the profits of the issue to yourselves, do you take the whole of the gold as against the notes?—No.

50. Supposing that you have a certain quantity of notes out, do you say, "I have got 600,000 *l.* of notes out, and I have 400,000 *l.* of gold out, and therefore I only get a profit on the 200,000 *l.*"?—I have no objection to state to the Committee the calculation which I have made as applicable to the Royal Bank of Scotland, because it will probably show the mode in which the matter is dealt with better than any other explanation would.

51. The Chairman asked you some questions with regard to the united action of the banks; do you have united action as regards commissions for banking transactions?—Yes; as regards every description of charge we have united action.

52. You stated that you thought that the combined action was confined to the rates of interest; but with regard to every kind of charge, does every bank in Scotland charge precisely the same?—I did not mean to represent that the combined action was confined to rates of interest. The 11 banks meet upon every occasion of a change in the Bank of England rate, and fix the rates of interest, and the discount, and so forth; the rates of commission, and charges of that description, are altered as circumstances may require from time to time.

53. Have the chartered banks any legal advantages over the other banks?—I do not know that they have now, because all the other banks are incorporated under the Companies Act, 1862.

54. Practically, there is no difference between the privileges, so far as you are aware?—Practically there is no difference in point of privilege. At one time the chartered banks of Scotland had a very valuable privilege of this character: that the money judicially deposited, money forming the subject of dispute in court, could only be deposited with the chartered banks, but that is not so now.

Mr. *Goschen*—continued.

55. Is there any difference in the liability of the chartered banks and the other banks?—That is a disputed point. Sir Robert Peel stated to the House of Commons, many years ago, that the three senior banks in Scotland were banks of limited liability. That was again and again stated. The two junior chartered banks are unquestionably banks of unlimited liability; that is made quite plain by the terms of their charters. I believe that the three senior banks are banks of limited liability.

56. Have you yourself examined the question as to the legal power of Scotch banks coming to London?—I have to some extent.

57. Could you point out to the Committee the words in the statute under which you conceive that they would have power to come?—I think the law stands thus: I assume that before the year 1826 no joint stock bank could have been established in England at all. I am quite aware that there was some doubt expressed as to that by a Mr. Joplin about 1822 or 1823, as noticed by Sir Henry Thring in his Memorandum (p. 5). Apart from that doubt as to the nature and extent of the privileges of the Bank of England, I take it to be quite certain that no joint stock bank, or any bank with more than six partners, could have been established in England until the passing of the Act of 1826, which is 7 Geo. 4, cap. 46, and is mentioned in Sir Henry Thring's Memorandum immediately after the paragraph that I have just referred to. The first section of that Act enacted, "That from and after the passing of this Act it shall and may be lawful for any bodies politic or corporate erected for the purposes of banking, or for any number of persons united in covenants or co-partnership, although such persons so united or carrying on business together shall consist of more than six in number, to carry on the trade or business of bankers in England in like manner as co-partnerships of bankers consisting of not more than six persons in number may lawfully do." Then there follow certain prohibitions, one of which was, that no bank availing itself of that privilege should come within 65 miles of London, or should accept bills at a less date than six months. I consider that under this Act of 1826 it would have been perfectly competent to any Scotch bank, permitted by its own constitution to do so, to have begun business in any part of England outside the 65 miles circle, and to have issued notes in England.

58. But you have not stated the exemption for Scotland?—It was not till a later date that the limit of 5 *l.* was imposed.

59. The proviso runs thus: "Provided always, that such corporations or persons carrying on such trade or business of bankers in co-partnership shall not have any house of business or establishment as bankers in London, or at any place or places not exceeding the distance of 65 miles from London"; why does not that apply to Scotch banks?—It did apply to Scotch banks, undoubtedly. A Scotch bank could not have come in 1826 within the 65 miles circle.

60. Then how can it come now?—Under a totally different Act; I am anxious to make the progress of legislation clear to the Committee. The first inroad, if I may so call it, upon the privileges of the Bank of England was this Act of 1826, to which they consented, and which for the first time since 1697 permitted the establishment

ment of any bank in any part of England with more than six partners.

61. Then at that point the Scotch could not have come to London?—The Scotch could have come to the provinces, but not to London, because no joint stock bank could under that Act have come within 65 miles of London. Then the Act of 1833 followed, and by Section 3 of that Act it was enacted: "And whereas the intention of this Act is that the Governor and Company of the Bank of England should, during the period stated in this Act (subject nevertheless to such redemption as is described in this Act), continue to hold and enjoy all the exclusive privileges of banking given by the said recited Act of the thirty-ninth and fortieth years of the reign of his Majesty King George the Third aforesaid, as regulated by the said recited Act of the seventh year of his late Majesty King George the Fourth, or any prior or subsequent Act or Acts of Parliament, but no other or further exclusive privilege of banking: And whereas doubts have arisen as to the construction of the said Acts, and as to the extent of such exclusive privilege, and it is expedient that all such doubts should be removed: Be it therefore declared and enacted, that any body politic or corporate, or society, or company, or partnership, although consisting of more than six persons, may carry on the trade or business of banking in London, or within sixty-five miles thereof, provided that such body politic or corporate, or society, or company, or partnership, do not borrow, owe, or take up in England any sum or sums of money on their bills or notes payable on demand, or at any less time than six months from the borrowing thereof, during the continuance of the privileges granted by this Act to the said Governor and Company of the Bank of England." It is perhaps proper to explain, with reference to this Act, that the Government of 1826 considered that the exclusive privileges of the Bank of England applied to every description of banking, and it was on that idea that the Government asked the Bank of England to waive their privileges in part by consenting to the establishment of joint stock banks outside of the 65 mile circle, which the bank rather reluctantly did; and then there followed the establishment of several joint stock banks under the authority of the Act of 1826. The Bank Charter expired in 1833, and a new negotiation ensued between the Government of the day and the Bank of England, which resulted in the discovery by the Government that the interpretation put by the Bank of England upon its exclusive privileges was a great deal broader than the opinion of the law officers of the Crown confirmed. That led to a great deal of discussion and correspondence between the Government and the Governors of the Bank, resulting in the Act of 1833, which was really intended to declare what the law then was and had always been. Under its provisions any body politic or corporate, or society, or company, or partnership, might come to London, provided they did not issue any bank-notes within England.

62. You explained to the Committee just now, that you did not contend that the Scotch could come to London before this Declaratory Act was passed?—Certainly not, under the Act of 1826.

63. Then your point is this: that by the Declaratory Act, which was to clear up doubts, you

gained a privilege which you had not got, and which it was never contended that you had got before the Declaratory Act was passed?—If the privilege exists at all, it exists, no doubt, under this Act of 1833, so far as statute is concerned.

64. But this Act of 1833 is, as you have explained to the Committee, rather a declaratory than an enacting Act, is it not?—It is a Declaratory Act, because the Government were being pressed by the Bank of England to give an interpretation to the privileges of the Bank which the Government were advised was not a sound interpretation, and that was the reason of the Act.

65. Your contention is that under the Act of 1826, and previously to this Declaratory Act, it was clear that, as far as Scotland was concerned, the Scotch banks could not come to London to issue notes?—To London they could not; but to the provinces they could, under the Act of 1826.

66. But when the Declaratory Act, which was only to remove doubts and to explain the law, was passed, the Scotch gained a privilege which it had never even been contended that they had got before?—That was so; but I must rather object to its being put as a privilege to the Scotch banks; it was a privilege to the whole world. Before the Act of 1833, no bank could have come to London, French, German, or any other; it was, till then, believed to be impossible to establish a bank in London with more than six partners.

67. Still, the Scotch banks are admitted, as I understand you, by the insertion of the words "in England"?—I do not think that the insertion of the words "in England" makes much difference in the clause. Though it were read without the words "in England," the result would practically be the same; because what the Act did was to declare that, for the future, it should be open to all banks, English or foreign, Scotch or Irish, to establish themselves in London with more than six partners.

68. But this clause practically excludes the English Banks of Issue, does it not?—No; the Act which excludes the English Banks of Issue is the Act of 1826.

69. Then that restriction was not removed by the Act of 1833?—It was not, and it still exists.

70. What I want to understand from you is this: whether the Act of 1833, which was a Declaratory Act, removed, as far as the Scotch banks were concerned, the prohibition to come to London, but did not remove it as regards the Banks of Issue in England?—That was so.

71. And that was the effect of an Act intended, as you say, to clear up doubts, but not to make a change in policy?—I beg your pardon; if I have led the Committee to suppose that that was my view, I must have expressed myself inaccurately. I did not mean to say so. On the contrary, the extension to London of the right which had previously been extended to the provinces was a matter of express stipulation between the Government and the Bank of England; it was a further inroad upon the privileges of the Bank of England. The Government applied to the Bank, and proposed that the Bank should waive what was understood to be a privilege; the Bank of England were very unwilling to do so, and that led to the Government consulting the law officers of the day, and they were told that what the

Mr. *J. S. Fleming.*

22 April 1875.

Mr. *J. S. Fleming.*

22 April 1875.

Mr. *Goschen*—continued.

Bank thought they were entitled to was not what they were really entitled to. Hence the passing of this Act, which was not intended merely to clear up a difficulty, but to confer a new right.

72. If you look at the two preambles of this clause, you will see that they are both declaratory, and not enacting: "And whereas the intention of this Act is that the Governor and Company of the Bank of England should, during the period stated in this Act (subject, nevertheless, to such redemption as is described in this Act), continue to hold and enjoy all the exclusive privileges of banking given by the said recited Act of the thirty-ninth and fortieth years of the reign of his Majesty King George the Third aforesaid, as regulated by the recited Act of the seventh year of his late Majesty King George the Fourth, or any prior or subsequent Act or Acts of Parliament, but no other or further exclusive privilege of banking. And whereas doubts have arisen as to the construction of the said Acts and as to the extent of such exclusive privilege, and it is expedient that all such doubts should be removed, be it therefore declared and enacted." Does not the language of that section look as if this particular section, at all events, under which the Scotch claim that they can come to London, was a section to remove doubts, and to remove doubts only?—No doubt it does; but it was the result, as I have already explained, of a negotiation between the Government and the Bank, the negotiation having for its object the extension of the privilege of the formation of joint stock banks. No joint stock banks then existed in London or could exist; the Government wished that joint stock banks should exist in London, and accordingly the power given by this Act was given for the very purpose of limiting the privileges of the Bank of England.

73. But would not that apply to the other clauses limiting the privileges of the Bank of England, and not to this one, the preamble of which states that it was to remove doubts which were existing?—I cannot put that interpretation upon it.

74. Does the whole Scotch case rest upon this clause?—The whole Scotch case, as regards London, rests, I think, upon that clause, except in the case of the Royal Bank of Scotland, which has a special Act.

Mr. *Mundella.*

75. That is to say, upon Clause 3 of the Act of 1833?—Upon Clause 3 of the Act of 1833.

Sir *John Lubbock.*

76. You have put in a very interesting table in your Report, showing the amount of the average circulation, during a certain period, of the Scotch banks; will you be able, and have you any objection, to furnish the Committee with the average deposit during the same period, so that the table may be complete?—Certainly. All the Scotch banks publish their accounts annually; so that it will be a very simple matter to furnish the Committee with any table of that kind. I should also say that the Scotch banks, in the view of being represented before this Committee, have been collecting statistics on various points, which are not complete, but which Mr. Davidson, of the Bank of Scotland, will hereafter lay before the Committee.

77. The Scotch banks do publish their accounts, but not all at the same dates, do they?—No; but we can tell year by year what the amount is at the dates of their respective balances.

Sir *John Lubbock*—continued.

78. Referring to Clause 3 of the Act of 1833, which we have just been discussing, I think I understood you to say that the words "in England," in your opinion, made no difference in the clause?—I did not mean to say that. As I read the clause, I do not know that it would make any very material difference; but I read the clause with the words "in England" in it, and take any advantage which results from their being there.

79. The words before that are, "do not borrow, owe, or take up, in England, any sum or sums of money on their bills or notes payable on demand"; do not the Scotch banks owe the money on their bills and notes payable on demand?—Certainly, in Scotland; but I think the words following show, in the interpretation of the Act, what its scope was. It goes on to say, "or at any less time than six months from the borrowing thereof, during the continuance of the privileges granted by this Act, to the said Governor and Company of the Bank of England." Now, it could be no interference with "the privileges granted by this Act to the said Governor and Company of the Bank of England," that banks established in Scotland circulated notes there, and took up money upon those notes.

80. Still, as a matter of fact, if there are Scotch notes in England issued by the Scotch banks, they owe money for those notes, do they not?—But the Scotch banks do not issue bills or notes in England, and therefore they do not "borrow, owe, or take up" money in England, and consequently they do not in any degree interfere with the privileges of the Bank of England.

81. Then your contention is, that because such notes are not issued in England, they are not owed?—They are owed wherever they go; but we do not "borrow, owe, or take up" money in England, and never did; we owe the money to the holders, who might be in France as readily as in England.

82. This clause also expressly recites, does it not, that the privileges granted to the Bank of England by the Act of 1826 are to continue, and that this clause is merely explanatory of those privileges?—Yes.

83. Can you state whether, in the negotiations which took place at the time, the question of the Scotch banks was ever discussed?—I am not aware. I do not suppose that the Scotch banks at that time ever thought of going to England; but I think it not improbable that that may have been in the contemplation both of the Government and of the Bank of England at the time, for in the correspondence which took place in 1826, allusion is made, over and over again, to the Scotch banking system as the system which it was the wish of the Government of the day to introduce into England. In short, it was the avowed object of the Government to introduce into England a system of banking which they commended as the system then in force in Scotland.

84. That is to say, so far as regards the existence of joint stock banks; but the Government, I think, certainly did not think of introducing the Scotch system as regards bank notes?—I think that between 1826 and 1828 the Scotch banks might legally have circulated their own notes of any amount in England outside

Sir *John Lubbock*—continued.

outside the 65 mile circle, because, if you refer to the Act of 1828, 9 Geo. 4, cap. 65, entitled, "An Act to restrain the Negotiation in England of Promissory Notes and Bills under a limited Sum issued in Scotland or Ireland," you will see that it prohibits, for the first time, the issue in England of Scotch or Irish notes under 5*l.*, which necessarily implies a right on the part of the Scotch and Irish banks, if they chose, to circulate 5*l.* notes and upwards in England. Of course that was terminated by the Act of 1844.

85. Up to the Act of 1826, I think you admit that the Scotch banks could not have come to England?—No bank with more than six partners could have come to England, as the law was then understood.

86. The Act of 1826 is expressly called, "An Act for the better regulating Co-partnerships of certain Bankers in England," is it not?—That is the title of it.

87. Do you contend that an Act with such a title as that is to be read as an Act which relieves the Scotch banks from their disabilities under a previous Act of Parliament?—I do not think that the title of an Act has much to do with its enacting parts; for example, the Bank of England was established under an Act imposing, according to its title, duties upon beer.

88. Does not the first clause of the Act of 1826 go on to say that the banks which are authorised to be established under this Act should have the whole of their banking establishments, and carry on their business as bankers, at any place or places in England exceeding the 65 miles from London?—That is so.

89. I need hardly ask you whether the Scotch banks have the whole of their banking establishments in England; are they not, therefore, precluded under that clause from coming within the operation of the Act?—The Act of 1826 neither precluded the Scotch banks from coming to London nor permitted them to come.

90. I thought you rested your case very much upon the Act of 1826?—Not at all. The Scotch banks did not avail themselves of the privileges of the Act of 1826 in any shape or form.

91. Then you admit that the Scotch banks could not have come to London until the year 1833?—Not to London. They could have come to the provinces beyond the 65 mile radius in 1826, under the Act of 1826, but they did not do so.

92. Do I rightly understand you to contend that under the Act of 1826 the Scotch banks might have come to England, provided that they did not come to London?—That is what I submit to the Committee.

93. But the Act expressly provides that joint stock banks may be founded, provided they "have the whole of their banking establishments and carry on their business as bankers at any place or places in England exceeding the distance of 65 miles from London"; surely, that implies that a joint stock bank may be founded under this Act, but that they must neither be out of England nor must they be within the 65 miles of London?—The Act says, "shall have the whole of their banking establishments and carry on their business as bankers at any place or places in England." I think that means that they shall have the whole of their banking establishments in England at a distance of more than 65 miles from the metropolis. I do not think it has any other meaning.

94. But the Scotch banks have not all their places of business in England?—Under this Act, if they had availed themselves of the privilege they must have had all their English establishments at a distance of 65 miles from London; they could not have come within the 65 miles radius.

95. Then you mean to say, that when the Act says, "the whole of their banking establishments," it merely means "their English banking establishments"?—I think so.

96. Surely it is obvious that where it says "the whole of their banking establishments," it does include all their banking establishments; to say that the offices which are in England must be in England would be tautology, would it not?—They must be beyond 65 miles from London.

97. It does not say that they must be beyond 65 miles from London; it says that they must be in England beyond 65 miles from London?—The clause is in these words: "Provided that such body politic or corporate, or persons united in covenants or partnerships, exceeding the number of six persons in each co-partnership, shall have the whole of their banking establishments and carry on their business as bankers at any place or places in England exceeding the distance of 65 miles from London." I read that as meaning that the whole of their English establishments shall be at a greater distance than 65 miles from London. But very little really turns upon the Act of 1826, because that is not the Act under which any Scotch, Irish, or foreign bank has come to London; the Act under which they have come is the Act of 1833. That Act, I think, is really the Act which for the first time permitted the establishment of joint stock banks in London. It is immaterial whether they were Scotch, Irish, or foreign; and upon the provisions of the Act of 1833 would I alone rest the right of any foreign bank to come to any part of England. I think the Act of 1826 is merely valuable as illustrating the progress of legislation. In my opinion, the Scotch banks between 1826 and 1828 might, if they had thought proper, have come to any part of England outside of the 65 miles circle and have circulated their notes, even the smaller notes. In the year 1828 there was an express prohibition of the issue in England of Scotch or Irish notes under 5*l.* Therefore they might have gone on between 1828 and 1833 circulating 5*l.* notes and upwards, and carrying on banking business. Then in 1833 they might have come to London; but if they came to London they were put in precisely the same position as the English provincial banks of issue are in now; that is to say, they must have given up the privilege of circulating notes within England.

98. Then your contention is that the words "in England" in this clause are really misplaced, and that when the clause speaks of banks carrying "on their business at any place or places in England," what is really meant is banks carrying "on their business in England at any place or places," because this clause actually states that the whole of the banking establishments (without any limitation at all) are to be in England, and at a distance not exceeding 65 miles from London?—I quite see the point that is made of that, and I confess that my attention had not been

Mr. *J. S. Fleming.*

22 April 1875.

Sir *John Lubbock*—continued.

been specially called to that particular clause before. I think that it is quite capable of that construction, but that the other construction is the more natural one, having in view the circumstances under which this Act was introduced by the Government.

99. The Act of 1833 is an Act interpreting the Act of 1826, is it not?—No; the Act of 1833 is an Act interpreting the exclusive privileges of the Bank of England, which exclusive privileges were originally dependent upon the Act of 1697. The Act of 1697 (quoted on page 3 of Sir Henry Thring's Memorandum) is in these words: "That during the continuance of the Corporation of the Governor and Company of the Bank of England, no other bank, or any other corporation, society, fellowship, company, or constitution, in the nature of a bank, shall be erected or established, permitted, suffered, countenanced, or allowed by Act of Parliament, within this kingdom"; that is, within England. It was found that that was not sufficient to guard the exclusive privileges of the Bank of England, and in the year 1708, another Act (7 Anne, c. 7) was passed, enacting, "That during the continuance of the said Corporation of the Governor and Company of the Bank of England, it shall not be lawful for any body politic or corporate whatsoever, erected or to be erected (other than the said Governor and Company of the Bank of England), or for any other persons whatsoever united or to be united in covenants or partnership, exceeding the number of six persons, in that part of Great Britain called England, to borrow, owe, or take up any sum or sums of money on their bills or notes payable at demand, or at any less time than six months from the borrowing thereof." Then there followed a variety of Acts securing to the Bank of England those exclusive privileges in pretty much the same terms. Then there broke out the dispute between the Government and the Bank of England in 1833; and the Act of 1833 was declaratory of what the exclusive privileges of the Bank of England were, but in a sense totally opposed to the sense previously attached to them by the Bank of England. In short, the Government and the Bank of England negotiated for an increase of privilege to joint stock banks, which the Bank of England resisted, and it was only when the state of the law was discovered that they were obliged to give way.

100. Then your contention is, that the Government and the Bank of England in this negociation deliberately made an arrangement by which the Scotch joint stock banks might come to London, whereas English joint stock banks were prohibited from doing so?—I do not mean to put it in that light, by any means. All I mean to say is this, that in 1833 for the first time the Government desired that joint stock banks should be at liberty to conduct business in the City of London or within the 65 miles circle; the Bank of England resisted that proposal; the Government consulted their law advisers, and were told that the Bank of England were entirely wrong in the interpretation which they were putting upon their exclusive privileges; and that being so, and in order to make it clear that joint stock banks might be established in London without contravening the privileges of the Bank of England, this Act was passed. It was declaratory so far of what was then for the first time discovered to

Sir *John Lubbock*—continued.

have been the law all through; but it was intended to carry out a policy, to which the Government committed themselves, of permitting the introduction or the erection of joint stock banks in the City of London.

101. You do not think it at all probable that the Government of the day wished to give a privilege to Scotch joint stock banks which they deliberately withheld from the English joint stock banks?—Not specially; but I think it was the policy of the Government to permit the introduction of all joint stock banks into England, Scotch, Irish, or foreign, because those banks in no way whatever affected the exclusive privileges of the Bank of England; that is to say, they did not come into competition with the right of issue, which was the thing which the Government desired should remain exclusively in the hands of the Bank of England; and that was the principle upon which the law was changed.

102. Your case as regards the Act of 1833 rests in the main upon the third clause, does it not?—It does as regards London.

103. That clause recites the Act of 1826, and then proceeds to remove doubts which have arisen with reference to it, does it not?—That is so.

104. It surely therefore did not intend to convey privileges which clearly were denied by the Act of 1826, but its object was rather to remove doubts which had arisen as to the interpretation of the Act of 1826?—The object of the Act was to make it clear that privileges which had never been thought of in 1826 were not infringements of the exclusive privilege of the Bank of England.

105. Therefore it must be interpreted by the Act of 1826, and no privileges which were clearly not given by the Act of 1826 could be given by the Act of 1833?—That by no means follows, I think, because it was the very object of the Act of 1833 to permit what the Act of 1826 expressly prohibited. The Act of 1826 prohibited any joint stock banks coming to London or within 65 miles of it, whereas the Act of 1833 was expressly and avowedly for the purpose of allowing the formation of joint stock banks within the 65 miles circle.

106. But that was limited to banks which did not owe any sum of money on bills or notes payable on demand, was it not?—In England.

107. And therefore no banks which did not come under the Act of 1826 could come under the Act of 1833, so far as regards this clause?—No banks could come to London at all under the Act of 1826. It was not till the passing of the Act of 1833 that any joint stock bank could come, and no such bank was established in London before 1833.

108. Then what was the meaning of the words, "doubts have arisen as to the construction of the said Acts"?—I have endeavoured to explain that already, but I shall be glad to repeat my explanation. Under the Act of 1697 it was believed that the Bank of England had acquired exclusive privileges of banking in England except to this extent, that partnerships with not more than six members should be at liberty to carry on the business of banking. That idea continued to possess the public mind, as well as the banking mind, up to about the year 1822, when a new idea was ventilated, that upon a strict interpretation of the exclusive privileges of the Bank of England they were something totally

Sir *John Lubbock*—continued.

totally different from what had previously been supposed. That new notion did not take hold of the public mind or of the banking mind either, and it was not until the year 1833 that it was thoroughly investigated. The Government of the day asked advice upon the subject from their own law officers, and they were told that the true interpretation of the old privileges of the Bank of England was that there had never been from the year 1697 down to that time, any exclusion in any part of England of banks of deposit with any number of partners. It was in order to give effect to this new discovery that the Government passed the Act of 1833, but it was a perfectly new theory of the exclusive privileges of the Bank of England that was then started.

Mr. *Beckett Denison.*

109. I will not ask you anything regarding the London banks, but I wish to have this perfectly clear, that according to your view of the law it was only the Act of 1826 which enabled Scotch banks, with their privileges of issue, to come into the English provinces within the 65 mile radius?—I think so. No joint stock bank with more than six partners, according to the notions then existing, could have come to England at all; it did not matter whether they were English, Irish, Scotch, or foreign.

110. When you speak of joint stock banks, you put all the Scotch banks, whether chartered or not, on the same footing, do you not?—I do.

111. Then the whole question, as regards the dispute which has given rise to this Committee, between the Scotch banks and the English provincial banks, will turn upon the construction of a particular clause of the Act of 1826?—I should say to the Committee that, as representing here merely the Royal Bank of Scotland, I feel that I have no interest in that question, because the Royal Bank of Scotland has by its constitution no power to go into the provinces of England. It is, perhaps, right that, at this stage of my examination, I should state the position in which I am before the Committee. I have been unexpectedly summoned to appear, before any meeting of the Scotch banks has been held, and in no sense of the word can I be regarded as a representative of the Scotch banks. Therefore, in all that I may say, I must be regarded as simply expressing my own individual opinions, without binding the Scotch banks to anything. Dealing with myself as the representative simply of the Royal Bank of Scotland, and as called upon to give information to the Committee, which I am very willing to do, I should say that the Royal Bank of Scotland had no interest whatever in the question of the provinces. By their special Act of Parliament of 1873, they consented as a matter of stipulation with the English provincial bankers, having no intention to go into the provinces, to limit the powers sought by their Act; and accordingly their powers are limited to London.

Mr. *Anderson.*

112. At the time you drew up these notes of yours, had you seen Sir Henry Thring's note?—No; I never saw Sir Henry Thring's note till two days ago. The Lord Advocate, about a year ago, requested me to see Sir Henry Thring about this matter. Sir Henry told me what he had been instructed by the Government to do, and asked

Mr. *Anderson*—continued.

me if I would furnish him with a memorandum specially applicable to Scotland, and I did so.

113. You have now seen the general conclusion, have you not?—I have not seen the general conclusion until this moment.

114. He there sums up what he considers to be the state of the law?—That is not in the copy which the Chancellor of the Exchequer kindly sent to me.

115. I gather from the evidence which you have already given, that you differ entirely in opinion as to the legal position of the case with reference both to the provinces and to London?—Apparently, judging from this, Sir Henry Thring is of opinion that there is no legal prohibition against the Clydesdale Banking Company establishing branches in Cumberland, being more than 65 miles from London.

116. And he appears to draw no distinction between its bringing its issue and leaving its issue behind?—Clearly it cannot bring its issue with it; that is perfectly plain. The Act of 1844 expressly prohibits any bank not carrying on business in England, on the 6th of May 1844, from issuing bank notes thereafter; so that no Scotch or Irish bank could issue a single note in England.

117. Then, although Sir Henry Thring does not say so, he must have meant that?—No doubt.

118. I think you have stated that, according to your opinion, an English bank of issue had a perfect right by law to go to Scotland, leaving its issue behind it in England?—Undoubtedly.

119. It could go into Scotland and do all general banking business in Scotland provided it left its issue in England?—Certainly.

120. And you consider that the state of the law with reference to a Scotch bank of issue is just the same, and that it can go to England and do business there, provided it leaves its issue behind it?—Exactly; provided it leaves its issue behind it, and provided it has power by its own constitution to go.

121. Its own constitution is a matter of internal regulation, is it not?—No doubt.

122. With regard to the monopoly of the Scotch banks in Scotland, is it the Act of 1845 that creates that monopoly?—It is the Act of 1844 that creates what is called a monopoly; but I do not admit that it is a monopoly of banking: it is a monopoly of issue, I admit.

123. That monopoly of issue has had the effect, has it not, of creating a monopoly of banking?—I cannot admit that, but I know it is a disputed point. That it has practically had that effect is undoubted; but when I look to Ireland and find that banks have been established there in the face of a right of issue much more valuable than any that exists in Scotland, I cannot admit that it is a necessary effect.

124. Do you think that it is from that Act that the monopoly has sprung?—I do not.

125. Do you know anything of the Act of 1846 as to joint stock banks in Scotland?—I do not recollect any Act of 1846. The Act of 1844 created a monopoly of issue, because it declared that in no part of the United Kingdom should any new bank of issue be established; therefore from the passing of the Act of 1844 the existing Scotch banks have had a monopoly of issue, just as the existing Irish banks and the existing English banks have had in their respec-

Mr. *J. S. Fleming.*

22 April 1875

Mr. *Anderson*—continued.

tive countries. The Act of 1845 had no bearing upon that question; it was the Act of 1844 that did it.

126. You base the case of the Scotch banks coming to London upon the Act of 1833, and you called that a declaratory Act; but I think you must have meant that it was something more than declaratory, that it enacted as well as declared?—It professes to be a declaratory Act; but when one looks at the circumstances under which the Act was passed, it is plain that the Government resolved on a change in the law, and then discovered that there was no actual change in the law required, hence the declaratory character of it. The Government negotiated with the Bank of England for a restriction of their exclusive privileges to the extent which was ultimately sanctioned by the Act of 1833, but they discovered that it was unnecessary to have entered into any such negotiation, because the law was as they wished it to be.

127. Do you observe that in Clause 3 the words used are, "Be it therefore declared and enacted"?—Yes.

128. That makes it a little more than declaratory, does it not?—No doubt.

Mr. *Mulholland.*

129. I think I understand from you that the Act of 1826 interfered with the previous privileges of the Bank of England so far as to permit issues outside of the 65 miles radius?—Not so far as to permit issues, for issues had always been permitted; any persons might carry on business as bankers in England, provided they were not a partnership of more than six partners. The Act of 1826 was the Act which for the first time permitted the establishment of joint stock banks.

130. And then the Act of 1833 interfered further with the so-called privileges of the Bank of England, by allowing banks which did not issue to come within the 65 mile radius?—It did so.

131. Then I think the Act of 1833 might be called declaratory with respect to the privileges possessed by the Bank of England, and enacting with respect to the power of banks to come to London and within the 65 mile radius; and that in that way it was both declaratory and enacting?—Yes.

132. There is an apparent ambiguity in the phraseology of the Act of 1826, where it is enacted that bankers "shall have the whole of their banking establishments and carry on their business as bankers at any place or places in England exceeding the distance of 65 miles from London." There is a similar clause in the Act of 1833, where the same provision is repeated in different words: "Be it therefore declared and enacted, that any body politic, &c., consisting of more than six persons may carry on the trade or business of banking in London, or within 65 miles thereof, provided that such body politic, &c. do not borrow, owe, or take up in England any sum or sums of money." Does not that to some extent explain the provision in the other Act?—The Act of 1826 is ambiguous, and I quite admit that it is subject to the interpretation put upon it by Sir John Lubbock.

133. I think you stated that the three old incorporated banks are, in your opinion, limited banks?—I think they are.

Mr. *Mulholland*—continued.

134. Then those banks would not have come within the provisions of the Act of 1826, would they?—If they had availed themselves of those privileges they would of course have incurred the liability, but that liability is a good deal more restricted, I think, than it would appear from Sir Henry Thring's Memorandum to be; because it only extends to money owed or taken up in respect of notes payable on demand, or of bills at six months. They would not have incurred universal liability for any other description of obligation.

Mr. *Orr Ewing.*

135. You think that the words referred to by the honourable baronet the Member for Maidstone are a little ambiguous; do you not think that the Act of 1828, limiting the circulation of notes below 5*l.* of Scotch and Irish banks, precludes the interpretation which he puts upon them?—I think so; I think that the Act of 1828 shows that at some time or other somebody must have had in contemplation the possibility, if not the probability, of Scotch and Irish banks carrying on business in England, and actually issuing notes; they never did so, certainly.

136. You referred, in speaking specially of the enactments of 1826 and 1833, to a correspondence and to speeches that were made upon the subject; could you read some of the pithiest sentences of them to the Committee?—The letter that I referred to was addressed to the Governor of the Bank of England by the Government, was dated 13th January 1826, and was signed by Lord Liverpool, who was then Prime Minister, and Mr. Frederick John Robinson, who was then Chancellor of the Exchequer. In that letter the Government discussed very fully the state of the country banking system of England, and contrasted it with the state of the Scotch banking system, with very strong disapproval of the English, and very strong approval of the Scotch system; so that in passing the Act of 1826 the position of the Scotch banks was prominently in the view of Government. Among other things in this letter the Government said: "In England there are said to be between 800 and 900 country banks, and it is no exaggeration to suppose that a great proportion of them have not been conducted with a due attention to those precautions which are necessary for the safety of all banking establishments, even where their property is most ample. When such banks stop, their creditors may ultimately be paid the whole of their demands; but the delay and shock to credit may in the meantime involve them in the same difficulty, and is always attended with the greatest injury and suffering in the districts where such stoppages occur. If this be the case where the solidity of the bank is unquestionable, what must it be when (as too often happens) they rest on no solid foundation? In Scotland there are not more than 30 banks, and these banks have stood firm amidst all the convulsions in the money market in England, and amidst all the distresses to which the manufacturing and agricultural interests in Scotland, as well as in England, have occasionally been subject. Banks of this description must necessarily be conducted upon the generally understood and approved principles of banking." Then, further on, they say, "The effect of the law at present is to permit every description of banking except that which

Mr. *Orr Ewing*—continued.

which is solid and secure." I refer to that as leading me to think that the Scotch banks having been so prominently in the view of the Government immediately before the introduction of the Act of 1826, it is a fair conclusion (I do not say that it is absolutely proved) that as the object of the Government was to introduce into England a system similar to that of the Scotch banks, there is no reason why the Scotch banks themselves should not have been left at liberty under the Act to come here. That is rather supported by the view of Sir Robert Peel, as expressed on the introduction of the Bill of 1826, when he said that, "He could not help thinking that if in the year 1793 a set of banks had been established in this country on the system of the Scotch banks, it would have escaped the danger in which it was then involved, as also the certainty which now impended over it." Then Lord Liverpool, in introducing the Act in the House of Lords, used some very strong language with regard to the English banks, which I do not care to repeat; but he again speaks in terms of commendation of the Scotch banks. Sir Robert Peel's speech is at page 291 of the 14th volume of the second series of Hansard, and Lord Liverpool's speech is at page 462 of the same volume; the one on the 13th of February 1826, and the other on the 17th of February of the same year.

Mr. *Mundella*.

137. Do I correctly understand that you are of opinion that, by the Act of 1826, Scotch bankers had a perfect right to establish branches anywhere in England outside the 65 miles radius?—I think so, otherwise the Act of 1828 is utterly unintelligible; for the Act of 1828 prohibits the circulation of 1*l.* notes, and by implication leaves lawful the circulation of 5*l.* notes and upwards. I cannot reconcile the passing of that Act with any other state of the law than the one which your question supposes.

138. Was not the intention of the Act of 1828 rather to enforce a previous prohibition under additional penalties against the circulation of Scotch and Irish notes in England?—It really does not matter whether that was so or not, from my point of view; because the implication is the valuable thing, as throwing light upon the policy of the Government in 1826. The implied right to circulate 5*l.* notes necessarily, I think, leads to the conclusion that Scotch banks had the power to do the thing which, was not forbidden.

139. But the Act of 1828 reads thus: "Whereas an Act was passed in the seventh year of his present Majesty's reign" (that was the Act of 1826), "intituled an Act to limit and, after a certain period, to prohibit, the issuing of promissory notes under a limited sum in England, and doubts may arise how far the provisions of the said Act may be effectual to restrain the circulating in England of certain notes, drafts, or undertakings made or issued in Scotland or Ireland: be it therefore enacted," &c.; so that it is assumed that the Act of 1826 did prohibit the circulation of Scotch or Irish notes in England?—Of 1*l.* notes undoubtedly, but of no others.

140. And that Act puts an additional penalty upon their circulation, does it not?—Upon the circulation of notes under 5*l.* undoubtedly. That was the object of the Act.

Mr. *Mundella*—continued.

141. Then, in your opinion, the Act of 1833 admitted the universal right to establish banks in London, of everybody except English Banks of Issue?—That is my opinion.

142. Did you not obtain an Act yourselves last year to allow you to establish a bank in London?—That is so.

143. If, in your view, the law, prior to the passing of your own special Act, allowed the Scotch banks to come to London and the English provinces, why did you stipulate last year not to enter the English provinces?—For this simple reason: that by our charter we were expressly confined to Scotland. We were incorporated in the year 1727 with power to carry on the business of banking in Scotland only, and therefore we were restrained by our own constitution. We did not ask Parliament to change the law for our benefit, but to relieve us of a restraint imposed by our own internal constitution, and to put us on an equality, in the eye of the law, with other banks.

144. Then with respect to establishing branches in England outside the 65 mile radius, you have put yourselves under a restraint under which no other Scotch bankers labour; is that so?—That is so. That was specially explained to the English bankers at the time it was agreed to, in a letter dated the 18th of February 1873, addressed by me to Mr. Wade, of the National Provincial Bank of England, who was the chairman of a committee of country bankers. That letter is as follows:—"Mr. Davidson, of the Bank of Scotland, has been good enough, with your approval as I understand, to communicate to me the import of his conversation with you in London the other day, in regard to the Bill about to be introduced into Parliament to extend the powers of this bank. I gather from him that the committee of country bankers, of which you are the chairman, regard the Bill as objectionable in respect of the power which it would confer on this bank to enter into competition with them in English provincial towns, and that if the powers sought were restricted to London, the Bill would be deemed unobjectionable. If I had been aware last week of the objection now stated, I should have taken the opportunity when in London, of explaining to you personally the views and objects of the directors of this bank in promoting the Bill, and I lose no time now in saying that I am sure it has never been in their contemplation that this bank should carry on business in England elsewhere than in London. It is no doubt true that any Scotch bank now entitled to carry on business in London is equally entitled to do so in the provinces, and our Bill, in its present form, would therefore only put this bank on the same footing as other Scotch banks already established, or having the power to establish themselves in London. But so far as we are concerned, our main object is to secure the same facilities for conducting our business in London as other Scotch banks now possess; and if you will favour me by stating in what form you would wish the second clause of the Bill modified, so as to restrict its operation to London, I shall have pleasure in bringing the matter before the directors, and I think I may say, that no difficulty will be experienced in bringing the Bill into a shape which will secure for it the approval of the

Mr. *J. S. Fleming*.

22nd April 1875.

Mr. *J. S. Fleming.*

22 April 1875.

Mr. *Mundella*—continued.

the body you represent. Permit me to add, that nothing could be further from our wish than to be brought into conflict in any form with the English country bankers, with so many of whom this bank has for a very long period had the most friendly business relations." So that it was quite in view of the right of other Scotch banks, as I assume it to be, that we voluntarily limited the operation of the Bill to London, having no desire or intention of going to the provinces.

145. Is it not the fact that you have voluntarily placed yourselves under a statutory disability under which no other bank labours, in order that you might buy off the opposition of the London bankers?—On the contrary, there was no opposition of the London bankers.

146. What was the object of your placing yourselves under that voluntary disability?—For the simple reason that we had no power to come to London, and that we did not care for any other power than the power of coming to London, and we said, "If it pleases you, by all means have it so." It was done at the request of the English country bankers.

Mr. *W. Shaw.*

147. Your position respecting circulation is exactly the same, I suppose, as that of the Bank of England and the Irish banks?—It is the same as that of the Irish banks, but not the same as that of the Bank of England.

148. You issue on gold, do you not?—We issue on gold,but we may have out more than our gold covers, provided, on the average, we do not exceed it. The Bank of England cannot send out a 5 *l.* note without having 5 *l.* in gold against it; they have not the advantage of averages that the Scotch and Irish banks have.

149. Has not the tendency of legislation in England upon this subject been to discourage all private issues?—No doubt.

150. And to make the Bank of England issue the issue of this country?—No doubt.

151. And there is an express machinery provided in the Act, is there not, for any banks giving up issues in England?—That is so.

152. There is no such machinery, is there, in the Acts extending to Scotland?—No, there is not.

153. And if you had had, as the National Provincial Bank of England had to do, to give up your issue, there is really no way of supplying deficiency?—There is not.

154. You would have to issue the notes of your competitors?—We could not carry on our business, as it is now carried on.

155. There is no bank in Scotland, is there, similar to the Bank of England?—No; the banks in Scotland are all on an equality.

156. So that really there is a material difference between the two countries in that respect, and that perhaps may have been in the minds of the gentlemen who drew this Act of Parliament, though it is not expressed very clearly?—Quite so.

Mr. *Balfour.*

157. As I understand, it is rather misleading to say that the Scotch right of coming to England depends upon the Act of 1833; what ought to be said is, that the Act of 1833 explicitly states what was implicitly allowed, though it was not known to be allowed, in all previous Acts?—Probably that is so. It is, perhaps, necessary, when you put it in that way, to go back even beyond 1697. Before 1697 there was absolute freedom of issue in England, as there always was in Scotland. That was interfered with in 1697 in the interest of the Bank of England; it was interfered with in terms which led the Bank of England and everybody else to suppose that the right of carrying on the business of banking was restrained throughout England except by private bankers, not more than six in number. That idea prevailed until 1833, and the Act of 1833 was meant to declare what was the law.

158. And what had been the law?—And what had been the law.

Mr. *Leveson Gower.*

159. The Royal Bank of Scotland was the only Scotch bank which was precluded by its constitution from coming to England, was it not?—It was the only Scotch bank which was expressly precluded. I am not aware that there is such an exclusion in the case of any other Scotch bank.

160. How did that exceptional state of things arise?—It is not easy to tell what were the motives in 1727; the Bank of Scotland was the only bank existing up to that period. The Royal Bank grew out of a previous corporation called the Equivalent Company, which was established on the union of England and Scotland. This Equivalent Company made proposals to the Bank of Scotland of union with them, which were rejected; and the holders of the Equivalent stock, who were Englishmen, and almost exclusively London merchants, having certain influences at Court and also with the Bank of England, and being aided by the Bank of England, obtained the Charter constituting the Royal Bank of Scotland. The Bank of England, therefore, would naturally guard against any infringement of their rights in England. I am not saying that that is the real state of the matter, but I think it is not at all improbable that it was so.

Mr. *Backhouse.*

161. Were not the whole of the Acts, beginning with the Act of 1707, intended to confer certain exclusive privileges upon the Bank of England, and have not the subsequent Acts always confirmed those privileges, though modifying them?—No doubt.

162. You stated, did you not, that before the year 1826 there was an entire prohibition upon any Scotch bank of issue coming to England at all?—It was believed to be so, but it turned out afterwards that it was not so.

163. And up to the year 1833 the prohibition against coming to England remained?—Yes, to London.

164. Sir Henry Thring gives an interpretation, which you admit, I suppose, that a bank under the old Acts was simply a bank of issue?—I do not think that the earlier banks in England, or in any part of the kingdom, were anything else but banks of issue for a long time after their creation.

165. But in the former Acts of Parliament the word "banks" always means bank of issue, did it not?

Mr. *Backhouse*—continued.

not?—It contemplated banks of issue, no doubt.

166. Banks of the same class as the Bank of England. I hold in my hand the Act of May 26th 1826, which says: "It shall and may be lawful for every such joint stock society or co-partnership already established, or that may be hereafter established, in Scotland for the purposes of banking, to sue and be sued in the name of the manager, cashier, or other principal officer of such society or co-partnership." So that while the Government were regulating the Acts with regard to banks in England in the Act of 1826, they also passed an Act regulating banks in Scotland?—That Act does not regulate banks in any other sense than that of conferring upon them the privilege of suing and being sued.

167. Are those requirements and privileges the same as are enacted in the Act of 1826 with regard to English banks?—I fancy they are; in principle, they are, unquestionably.

168. Are not the directions in the Act of 1826, as to registration and as to the appointing of officers in whose names to sue and be sued, confined to banks in England?—I take it that if a Scotch bank had established itself under the Act of 1826 in England, as I think it had the power to do, it must have registered itself in England as well as in Scotland. The object of the Scotch Act of 1826 was to give to the unchartered banks the privilege of suing and being sued. There were several banks existing at that time who had no charters of incorporation, and who found serious legal difficulties in the way of enforcing their claims. That was the object of the passing of this Act, and I do not think that there is anything in it inconsistent with the idea that if a Scotch bank had availed itself of the privilege of the English Act of 1826, it should be obliged to return its members in England as well as in Scotland.

169. You have just read an extract from the debates in Parliament of that time with regard to the advantages of the Scotch banking system; is it not rather curious that, in the face of attention being directed to the subject, this Act should refer only to banks in England?—I cannot pretend that the words in the Act of 1826 are not ambiguous; I think they are ambiguous.

170. I think you have already stated that banks of issue, being of the same class as the Bank of England or the Scotch banks were, came under that description?—They came under that description undoubtedly.

171. An Act was passed in the year 1826 regulating the rights of the Scotch banks as to suing and being sued, and in the same year an Act was passed regulating English Joint Stock Banks, and their right of suing and being sued; is not that so?—That is so; but this Act had no bearing upon the three Banks of Scotland which were then incorporated by Royal Charter. The Scotch Act was promoted and passed in the interest of all the unchartered banks, but more especially in the interest of the Commercial Bank of Scotland, which was at that time an unchartered bank, the Commercial Bank having about that time got into legal difficulties through not having the powers which this Act confers; but this Act does not apply to the chartered banks of Scotland as they then existed.

172. But the whole of the legislation having been restrictive of the privileges of the Bank of England, where it has been modified, it has been modified in express terms, has it not; so that any bank not coming within the terms of modification could hardly come within the enabling powers of the Act?—Probably that is so. The privileges conferred upon other banks of coming to England must be looked at in the light of the previous restriction.

173. You lay stress upon Section 3 of the Act of 1833; does not the very language of that section state that it is an interpretation of the meaning of the Act of 1826, and does it not refer solely to banking transactions in England, without any reference to Scotch banks?—Certainly; it refers to banking transactions in England, and if I am right in the construction which I have put upon it, it can only apply to the transactions of Scotch, Irish, or foreign banks in England.

174. Is the privilege given to joint stock banks confined, by the Act of 1826, to English banks?—I should say that but for the Act of 1833 no joint stock bank could have been established in London at all. The Act of 1833 is the charter of their existence.

175. When there has been legislation with regard to banking, has there not very frequently been separate legislation in the same Session with regard to Scotch banking?—I think not. No doubt when Sir Robert Peel introduced the Act of 1844, he stated quite distinctly that legislation was in contemplation as regarded Scotland.

176. And there was separate legislation in 1826 also, was there not?—I cannot look upon that course of legislation as running in the same direction. I think the Act of 1826, applying to England, was a totally different Act from that of the same Session applying to Scotland. The English Act of 1826, for the first time, permitted a complete change in the banking system; the Scotch Act of 1826 was simply an Act enabling banks to sue and be sued, and it effected no change whatever in their constitution or in the banking system of Scotland, except in respect of those particular privileges which were acquired only by certain banks.

177. Is a Bank of England note ever a legal tender in Scotland?—I think not. There were doubts upon that point between the year 1833 and the year 1844. The Act of 1833 was held by some people to make a Bank of England note a legal tender, but the Act of 1845 expressly declares that it is not a legal tender.

178. Does not the Act of 1845 say that whereas doubts have arisen with regard to a Bank of England note being a legal tender in Scotland, it is forbidden to be a legal tender in future?—It says so.

179. Does not that rather go to confirm the fact that the Act of 1833 was dealing with English banks entirely, and not with Scotch banks, the interpretation of the clause with regard to legal tender in the Act of 1833, given by the Legislature by the Act of 1845, proving that it was intended to restrict it to England?—I am sorry to say I do not see it in that light. I think the declaration in the Act of 1845 was the result of the antipathy of the Scotch people to anything in the shape of legal tender, and it was made a matter of stipulation by them. I do not think

Mr. *Backhouse*—continued.

Mr. *J. S. Fleming.*

22 April 1875.

Mr. *J. S. Fleming.*

22 April 1875.

Mr. *Backhouse*—continued.

think the banks took any interest in that matter.

180. I may take it, may I not, that as to the legal tender enactment, a Bank of England note was never considered a legal tender in Scotland?—That is so.

181. You say that you have cashed 680 *l.* of Scotch notes in London; were they 1 *l.* notes or 5 *l.* notes?—I did not ask that question. I should think they were 1 *l.* notes.

182. Are you aware that you are liable to a penalty of 20 *l.* for every 1 *l.* note you cash in England, and that no one can transfer a 1 *l.* note in England without incurring a penalty?—I am very much obliged to the honourable Member for telling me so, for I admit my ignorance upon that point.

183. I should like to ask you why the agents of the Scotch banks, when they first came to London, were called "correspondents" and not "agents"?—I cannot answer that question. I was not aware that it was so until this moment.

Mr. *Sampson Lloyd.*

184. I think in an early part of your evidence, in answer to the Chairman, you expressed an opinion that, under the existing state of the law, an English bank going into Scotland could trade upon the same terms as a Scotch bank?—Yes.

185. That is barring the question of issue; but afterwards, in answer to the honourable Member for Cork, I think you said that so valuable was this privilege of issue, that without it you could not carry on your business?—No; I did not mean to say so.

186. Is not that privilege of issue one of the most valuable things conferred by the existing law?—I should not be prepared to say that it is one of the most valuable things, because I do not know very well what I am contrasting it with; but it is valuable.

187. I see by the printed return that your issue, taking the Scotch banks generally, is more than was authorised by the Act of 1844?—Yes.

188. I suppose that would not be so unless it were profitable to issue?—I can assure the Committee that the Scotch banks would be very much delighted if the circulation in the hands of the public was half its present amount. As I have already stated, in answer to the right honourable gentleman the Member for the City of London, the circulation of the Royal Bank is an absolute loss. It is the power of issue that is valuable.

189. Do you think it is correct to say that an English bank can trade in Scotland on the same terms as a Scotch bank, when the English bank is debarred from doing that which a Scotch bank finds it so profitable to do?—That, I think, opens up a totally different question which requires an explanation, which I should be glad to give at any time. I think that raises the question which was debated in the House, whether there is any unfair competition as between Scotch and English banks. I am quite prepared to discuss that question.

Mr. *H. Vivian.*

190. I think there is no doubt that, under the Act of 1833, no English Bank of Issue can open a branch in London?—There is no doubt about that.

191. Can you suggest any reason why Scotch

Mr. *H. Vivian*—continued.

Banks of Issue should be authorised to do that which English Banks of Issue are not authorised to do?—Yes; to my mind there is a very simple reason. The English Banks of Issue come into competition with the Bank of England as the main issuing body, which it has been the policy of the Government always to foster; the Scotch and Irish Banks of Issue, by their issues at home, where Bank of England notes do not circulate and are practically unknown, do not come into competition with that right to issue. That is the simple explanation of the whole matter.

192. When you obtained your Act last year, did you give any notice to the London bankers that it was your intention to apply for that Act?—We gave the usual statutory notices required by the Standing Orders of this House, and they were published in the London newspapers and in the "London Gazette."

193. You gave no special notice?—We did not very well know to whom we should have addressed a special notice.

194. From a Paper which was circulated among honourable Members some time ago, I gather that lengthened negotiations took place between you and the country banks, which led to the restriction under which you now labour in regard to the provinces?—There was no negotiation whatever beyond the correspondence which was appended to that Paper; we never met upon the subject.

195. Was not an agreement come to that you should be excluded from opening branches in the country?—Certainly; and I read a letter, a few minutes ago, expressing our agreement with the country banks as to that restriction. I had previously been with the authorities of the Bank of England to explain what was proposed, and I had got from the Governors of the Bank of England an assurance that there was nothing in it that was objectionable to them.

Chairman.

196. In one of your answers just now, you said that the gold in the Scotch banks was not held specially against the notes; and you made the observation, that neither was it so in the Bank of England; you are aware that that is a point on which there is a difference of opinion?—I am quite aware of that. I was referring to an opinion expressed, I think, before the Committee of 1857, by Mr. Freshfield, the solicitor to the Bank of England, who stated that he did not regard the gold as specially hypothecated as the security of the notes.

Mr. *B. Denison.*

197. You founded an argument, in answer to the honourable Member for Sheffield, upon the Act of 1828, and you say that you think it fair to infer that, inasmuch as Parliament specially debarred Scotch and Irish notes from being issued in England, some of the banks had contemplated doing it, in that some action had been taken with a view to circulating Scotch and Irish notes in England?—No; I meant to say that it was fair to infer that the possibility of Scotch banks establishing themselves in England under the Act of 1826 must then have been under the notice of the Government.

198. You are aware, no doubt, that the Act of 1826 regulating issues, was a prospective Act, and

Mr. *Beckett Denison*—continued.

and that the 5 *l.* notes were to be the limit after a given date; that is to say, the year 1829?—That is so.

199. And that between the passing of that Act in 1826, and the year 1829, the Bank of England was required every month to publish the amount of notes under 5 *l.* which it had in circulation?—Yes.

200. Therefore is it not a reasonable presumption that the Act of 1828 was passed with reference to the coming date of 1829, when all notes under 5 *l.* would be illegal?—I think it was to make it clear that no Scotch or Irish notes under 5 *l.* should obtain currency in England; that that quite conformed to the policy which had led Parliament in the year 1826 to say, that by 1829 all 1 *l.* notes should cease in England; and that was the real object of it.

Mr. *Beckett Denison*—continued.

Mr. *J. S. Fleming.*

22 April 1875.

Sir *G. Montgomery.*

201. The Bank of Scotland never had a charter, had it?—No; the Bank of Scotland was established by an Act of the Scotch Parliament before the Union.

202. And there was nothing in any of its Acts to prevent its coming to England?—Nothing whatever.

Thursday, 29th April 1875.

MEMBERS PRESENT:

Mr. Anderson.
Mr. Backhouse.
Mr. Balfour.
Mr. Campbell-Bannerman.
Mr. Chancellor of the Exchequer.
Mr. Beckett Denison.
Mr. Orr Ewing.
Mr. Goschen
Mr. Leveson Gower.
Mr. Hubbard.
Mr. Kavanagh.
Mr. Sampson Lloyd.
Sir John Lubbock.
Sir Graham Montgomery.
Mr. Mulholland.
Mr. Mundella.
Mr. Norwood.
Mr. William Shaw.
Mr. Torr.
Mr. Hussey Vivian.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. JAMES FITZJAMES STEPHEN, Q.C., called in; and Examined.

Mr. *J. F. Stephen*, Q.C.

29 April 1875.

Chairman.

203. HAVE you given attention to the law of banking?—At the request of persons interested in this matter I have looked into the Statutes upon the subject.

204. Have you looked at it especially with reference to the rights of Scotch and Irish banks to carry on their business either in London or in any part of England?—I have looked at it with reference to the right of Scotch bankers to do so. I have not considered particularly the case of the Irish banks, but I do not know whether there is any distinction between the two.

205. Perhaps you could give the Committee, in a convenient form, your opinion upon the present state of the law, distinguishing, if it is convenient to you, the law as affecting joint stock banks, private banks, banks of issue, and non-issuing banks?—I think, if the Committee will allow me to do so, the most convenient course would be that I should state, in the form of distinct propositions, the result to which I have been led by my study of the Statutes. There are, as the Committee is aware, a large number of Acts of Parliament relating to this subject; they qualify one another, and form a very complicated whole; and therefore the first step which I took was to form from them a sort of digest of what I apprehend to be the law upon the subject. And with the permission of the Committee I would state that in the form of distinct propositions. I may observe that I have purposely put these propositions in as popular and simple language as I could for the sake of giving them the greatest possible clearness. For that purpose I have been obliged to use common expressions instead of certain technical expressions which continually recur in the different Acts relating to the subject. For instance, in most of the Acts we find this expression: "Body politic or corporate, or a number of persons exceeding six united in covenants or co-partnership, and carrying on the trade or business of bankers." That

Chairman—continued.

expression is found again and again from the year 1697 down to recent times. For that I substitute the common expression, "joint stock bank," which I think is equivalent to it. Again, you will find in the same series of statutes the expression, "Body of persons not exceeding the number of six united in covenants or partnership, and carrying on the business of banking." For that I substitute the expression, "private bank." Again, you will find in the same Acts this expression: "Borrow, owe, or take up any sum or sums of money on bills or notes payable at demand, or at any less time than six months from the borrowing thereof." That is repeated over and over again. For the sake of of simplicity, I call that "issuing notes." With these explanations, therefore, as to the sense in which I use those expressions, I arrive at six propositions; and I may observe that of these six propositions, the 1st, 2nd, 3rd, and 4th, are beyond much dispute, and I state them only for the purpose of clearing the matter up, and giving a comprehensive view of it. The 5th and 6th are doubtful propositions. They state the view which I have taken of the matter, which, as I understand, forms the subject of the deliberations of this Committee. My propositions are these: first, the Bank of England may issue notes for not less than 5*l.* throughout England, upon the conditions as to the amount of issue prescribed by the Bank Charter Act of 1844. In connection with that proposition, I would refer to the following Statutes: 7 & 8 Vict. c. 32, which is the Bank Charter Act; 8 & 9 Will. 3, c. 20, s. 28, which re-enacts with certain modifications 5 & 6 Will. & Mary, c. 20, s. 19; 7 Anne, c. 20, s. 66 (I quote the revised Statutes); 39 & 40 Geo. 3, c. 28, s. 15; and 7 Geo. 4, c. 46, s. 1. The second proposition is this: Private banks in any part of England, and joint stock banks having the whole of their banking establishments, and carrying on their business as bankers at

Chairman—continued.

at any place in England 65 miles from London, and not having any house of business or establishment as bankers in London, or within 65 miles of London, may issue notes for not less than 5*l.*, if they lawfully issue notes on the 6th May 1844, subject to the restrictions imposed by the Bank Charter Act. That proposition gives the effect of the Bank Charter Act, and the Acts of 1826 and 1833. It also embodies the provisions of the different Acts (and I can give the references if the Committee wish it) which restrict the issue of bank notes to sums of 5*l.* or upwards. The third proposition is: Every banker entitled to issue notes who becomes bankrupt, or ceases to carry on the business of a banker, or discontinues the issue of bank notes; and every private bank which by increasing the number of its partners above six becomes a joint stock bank, loses thereby the right to issue notes. That is simply a transcript of the Bank Charter Act of 1844, sections 11 and 12 in part. The fourth proposition is: Both the private banks and the joint stock banks above mentioned may have agents in London for the payment of the notes which they issue, and may state upon such notes that they are payable in London, and may draw bills of exchange for whatever amount they please upon agents in London. That again represents the effect of several Statutes, with the detail of which I will not trouble the Committee, unless I am desired to do so; but the most important of them are the Acts of 1826 and 1833. Those four propositions, I take it, no one would dispute, because they simply state, in a short positive form, what is stated in a somewhat complicated form by a variety of Acts of Parliament. But now come the two doubtful propositions which, although of course they are not to be found in so many words in any Act of Parliament, I submit as embodying my interpretation of the law, and as representing my reading of the effect of the various Acts relating to the subject. The fifth proposition is: No joint stock bank which issues notes anywhere, except the joint stock banks specified in proposition 2 (that is joint stock banks in England, and more than 65 miles from London), may carry on business in any part of England. And sixthly, and lastly: Any joint stock bank which does not issue notes anywhere, may carry on all other branches of banking business, except the issue of notes, in any part of England. Those six propositions appear to me to embody the part of the existing law which is material to the inquiries of this Committee.

206. Then it will be convenient, if you please, that you should give us the arguments upon which you support the fifth proposition?—In the first place, I would call the attention of the Committee to one matter about those two propositions. The first is a negative proposition as to banks of issue, and the second is an affirmative proposition as to banks of deposit. The sixth proposition represents my view of 3 & 4 Will. 4, c. 98, s. 3, which, as I apprehend, is the section upon another interpretation of which the claim of the Scotch banks to have a right to come to London is founded. Proceeding now to the proof of those propositions: first of all, with regard to the fifth proposition, that no joint stock bank which issues notes, except the joint stock

Chairman—continued.

banks already referred to, may carry on business in England, I would refer first to the Act of 1694, 5 & 6 Will. & Mary, c. 20. That Act simply establishes the Bank of England, and incorporates it. The next Act is the Act of 1697, 8 & 9 Will. 3, c. 20, s. 28. That Act provides, in substance, that during the continuance of the Bank of England no other bank, or corporation in the nature of a bank, shall be allowed by Act of Parliament in this kingdom. "This kingdom," in the year 1697, meant England, because it was before the union with Scotland, and therefore that Act, which is still in force, is a distinct prohibition of any bank in England other than the Bank of England. I apprehend that it would have rendered it illegal, and I should think it probable that it was intended to render it illegal to establish in England, for instance, a branch of the Bank of Amsterdam, or of any other Dutch bank that there might be at that time; that prohibition has been repeated again and again, and still forms part of the law. The next Act is the Act of 1707, 7 Anne, c. 30, s. 66. That Act provides that during the continuance of the Bank of England "it shall not be lawful for any body politic or corporate whatsoever, erected or to be erected (other than the said Governor and Company of the Bank of England), or for any other persons whatsoever, united or to be united in covenants of partnership, exceeding the number of six persons, in that part of Great Britain called England, to borrow, owe, or take up any sum or sums of money on their bills or notes payable at demand"; that is to say, that it shall not be lawful for any body or corporation, except the Bank of England and private banks, to issue notes. That again is re-enacted and recognised by the Act of 1800, 39 & 40 Geo. 3, c. 28, s. 15, which says, "No other bank shall be erected, established, or allowed by Parliament; and it shall not be lawful for any body politic or corporate whatsoever, erected or to be erected, or for any other persons, united or to be united in covenants or partnership, exceeding the number of six persons, in that part of Great Britain called England, to borrow, owe," &c.; that is to say, to issue notes. Up to that time, therefore, no bank of issue other than the Bank of England or private banks could lawfully exist in England; and I consider that all foreign banks whatever, including under the name "foreign" not only continental banks but British banks out of England, that is Scotch, Irish, and colonial banks, are forbidden by these Acts of Parliament to establish themselves in any part of England.

207. Do you mean that it would have been illegal for the Bank of Amsterdam, for instance, to have had a branch in London, provided that it did not issue notes there?—Yes, I think so.

208. And even to have acted as a bank of deposit?—Yes, I think it would have been illegal for any bank to be set up in London which, wherever it might exist, was a bank of the same nature as the Bank of England; and I may add, with reference to that, that there is a decided case which I think is referred to in Sir Henry Thring's Memorandum, viz., the case of the Bank of England *v.* Anderson, which you will find in the third volume of Bingham's New Cases, which enters very fully into the whole history and law of the Bank of England; and in various

Mr. J. F. Stephen, Q.C.

29 April 1875.

Chairman—continued.

passages of Chief Justice Tindal's judgment in that case, it is stated in a very emphatic manner that what I have given is the true interpretation of those prohibitions, namely, that they were meant to prohibit the establishment in England of joint stock banks of issue other than the Bank of England.

209. I want to be quite clear that we understand the extent of the prohibition itself. Under the Act of 8 & 9 Will. 3, there was a prohibition against the establishment of any company, &c., in the nature of a bank; subsequently, by the Act of Anne, it having been found possible to evade that prohibition by the constitution of bodies which did not bear the name of banks, but which did a certain class of banking business, a Statute was passed prohibiting any body corporate whatsoever, exceeding the number of six persons, from doing a certain class of business, that is to say, borrowing, owing, or taking up any sum or sums of money on their bills or notes payable at demand, or in less time than six months from the borrowing thereof. Would that provision in the Act of Anne have prevented any body corporate, which did not come under the definition of the Act of William III., from doing any other business in the nature of banking which does not come under the words "borrow, owe, or take up any money," &c.?—I am not prepared to say whether the Statute of Anne, if it had stood alone, would have had that effect; but I think the Statute of Anne, together with the Statute of William III., would prevent the establishment of any bank whatever in England, other than the Bank of England, if it carried on the business of issuing notes.

210. It is quite clear that if it carried on the business of issuing notes in England, it would be prohibited by the Statutes of William and of Anne; but if it was a bank like the Bank of Amsterdam, carrying on business of whatever kind in a foreign country, of which we knew nothing, is there anything, first of all, in the Statute of William, which prohibits that bank from having a branch, for deposit purposes only, in London?—Yes; the express words are "no other bank, or corporation in the nature of a bank, shall be allowed by Act of Parliament within this kingdom."

211. Then what is the precise object of the amending Statute of Anne?—Its only effect, as it seems to me, was to explain somewhat more fully the Statute of William, and to show that in speaking of a bank or a corporation in the nature of a bank, it was intended to embrace corporations which carried on banking business in connection with other transactions, such as mining, which was the particular case which occasioned the enactment.

212. But does not the Statute of Anne, if that is its meaning, put a construction upon the expression "banking business," which really limits them to this particular process of taking up money on notes payable on demand?—It does not seem to me to do so; it seems to me that the Statute of 8 & 9 Will. 3, says positively that there is to be no bank, or body in the nature of a bank, in England, except the Bank of England; and then the Statute of Anne says that no corporation which is in the nature of a bank shall do that part of the business of a bank; that is to say, shall issue notes.

Chairman—continued.

213. But it might do any other part of the business of a bank?—It could not do any other, because then it would be a corporation in the nature of a bank.

214. Will you proceed to the point of the relaxations?—We then come to the relaxations of this original monopoly, and having passed over the enactments with regard to the private banks, the first considerable relaxation was the Act of 1826; that Act, as I apprehend, permitted the establishment of joint stock banks, issuing notes at a distance of upwards of 65 miles from London, on the condition that those banks should not come to London or have any establishment or agency there. That Statute appears to me like all the other Statutes upon this subject, to be emphatically confined to England; and I do not think that it was intended to have the operation of relaxing the exclusion from England of foreign banks which had been effected by the earlier Statutes, to which I have already referred. It may, perhaps, be convenient that I should now give the reasons why I think that the Act of 1826 was confined to England. In the first place, the title of the Act states that it is "An Act for the better regulating Co-partnerships of certain Bankers in England;" and then it goes on to say, "and for amending so much of an Act of the thirty-ninth and fortieth years of the Reign of his late Majesty King George the Third," and so on, "as relates to the same." The preamble then begins by reciting the Act passed in the 39th and 40th years of his late Majesty King George III., intituled so and so; and it says, "Whereas it was to prevent doubts as to the privilege of the said Governor and Company enacted and declared in the said recited Act, that no other bank should be erected, established, or allowed by Parliament," and so on. Then it goes on to say: "And whereas the Governor and Company of the Bank of England have consented to relinquish so much of their exclusive privilege as prohibits any body politic or corporate, or any number of persons exceeding six, in England, acting in co-partnership, from borrowing, owing, or taking up any sum or sums of money on their bills or notes payable on demand, or at any less time than six months from the borrowing thereof; provided that such body politic or corporate, or persons united in covenants, or partnerships, exceeding the number of six persons in each co-partnership, shall have the whole of their banking establishments, and carry on their business as bankers, at any place or places in England, exceeding the distance of 65 miles from London"; and having recited all that, it goes on to authorise joint stock banks in England to carry on business in England at a distance of 65 miles or upwards from London. The effect of that seems to me to be that the whole of that section, which is the important one upon this subject, is carefully limited to England, and that it shows that the intention was to maintain the monopoly of the Bank of England, except as against English banks in England, established at a distance of upwards of 65 miles from London.

215. Are you at all aware whether, at the time that Act was passed, there were any Scotch, or Irish, or foreign banks carrying on any business of any kind in England?—The whole of my knowledge upon that subject is derived from the Memorandum

Chairman—continued.

Memorandum of Sir Henry Thring and Mr. Fleming. I know nothing about it of my own knowledge or information.

216. Assuming that at the time that that Act was passed there were any of what may be called in the large use of the word foreign banks of issue carrying on any business in England, your contention would be that the Act of 1826 did not touch them?—My contention would be, that they were doing an illegal thing, which they were prohibited from doing by the earlier Acts.

217. And that the Act of 1826 had nothing to do with them?—That it had nothing to do with them.

218. If, therefore, at that time there were any Scotch banks which were cashing their notes issued in Scotland at agencies of their own in Newcastle, or other northern towns, they were, in your opinion, doing an illegal thing at that time?—Yes, I think so. Then there are certain other sections in the Act of 1826 which confirm my opinion upon this subject. If you turn to Section 4 of the Act, you will find provisions for the registration of banks. Those provisions all apply to England, and provide for registration in London. Another Act, passed on the same day, viz., the 26th May 1826, relates to Scotch banks, and provides for their registration at Edinburgh. That is 7 Geo. 4, c. 67. Again, in the same Session, another Act was passed, viz., 7 Geo. 4, c. 6. That was an Act, the object of which was to abolish the issue of 1*l.* notes, or other notes under 5*l.* It is a well known matter of almost contemporary history, that it was originally intended to abolish 1*l.* notes in Scotland as well as in England, but that owing to the very strong opposition of the Scotch to their abolition (as to which it is, perhaps, worth notice that Sir Walter Scott took a very prominent part, and wrote extremely popular pamphlets on the subject), the plan was given up, and the consequence was that 1*l.* notes were permitted to continue in Scotland, although they were abolished throughout England. Those circumstances taken together seem to me to show that the Act of 1826 applies entirely to England, and that the effect of it was to surrender to a limited extent, in so far as it affected a part of England, the monopoly of the Bank of England.

219. Has your attention been directed to an Act which was passed two years later, in 1828, to restrain the negotiation in England of Scotch and Irish bank notes below 5*l.*?—Yes.

220. In the preamble of that Act, which refers to the Statute of 1826, it is stated that "doubts may arise how far the provisions of the said Act may be effectual to restrain the circulating in England of certain notes, drafts, or undertakings made or issued in Scotland or Ireland"; and the Act accordingly proceeds to prohibit them. Would it not, according to the view that you have given us of the law, have been illegal for Scotch and Irish banks to allow their notes to be circulated in England?—I think it would have been illegal for them to have paid their notes in England, or to have had agents for the purpose; but I do not think it is at all clear that the notes might not have circulated from hand to hand among other people who were not bankers.

Chairman—continued.

221. Then you consider that the Act of 1828 had reference simply to circulation, and not to agency?—I should not like to express too confident an opinion upon the subject, but that is my opinion.

222. You would not take that preamble as evidence that there was a system of agency at the time?—Certainly not; and I can give a reason. The reason is, that if you read the Act to which it refers, 7 Geo. 4, c. 6, s. 3, you see at once how the doubt arose. I should observe, that before that time 1*l.* bank notes circulated freely in England, as well as in other places; and at that time it being intended to put an end to it, an Act was passed in these words: "If any body politic or corporate, or any person or persons, shall, from and after the passing of this Act, and before the 5th of April 1829, make, sign, issue, or re-issue in England any promissory note," and so on, for any sum less than 5*l.*, there is to be a penalty of 20*l.* Supposing that a man paid a bill with a bundle of Scotch 1*l.* notes, it would be impossible to say that he either made or signed in England those notes, and it would be a strained interpretation to say that he issued or re-issued them, because he was not the original banker, but merely passsed them on. Then, if you look at the words of 9 Geo. 4, c. 65, which clear up that doubt, they go far beyond issuing or re-issuing, for they say: "If any body politic or corporate, or any person or persons, shall, after the 5th of April 1829, by any art, device, or means whatsoever" (not "make or issue," but) publish, alter, negotiate, or transfer in any part of England any" note of less than 5*l.*, there is a penalty of 20*l.* So that that Act made it utterly illegal for people "to publish, utter, negotiate, or transfer" a Scotch note in England.

223. Has your attention been directed to any of the debates which took place in Parliament at the time that the Act of 1828 was passing?—Only upon one or two special points; I have not read the debates.

224. I find that in a discussion which took place when the Bill restraining the negotiation of Scotch and Irish bank notes under 1*l.*, was before the House of Commons on the 16th of June 1828, that Mr. Baring, who was supporting the Bill, said this, "If this Bill were not passed it would be merely taking away the right of issue from one set of men to give it to another set; establishments would at once be formed in Scotland to issue notes for circulation in England. Indeed he was acquainted with an opulent person who, if the Bill were not passed, would take that course immediately. What was there to prevent a banker in Newcastle, who was not allowed to issue notes at his own bank, from putting his name into a Scotch firm, and circulating notes in England?" According to your view that would have been illegal?—It might have raised a nice point of law whether it was legal or not, because if the English banker took the notes simply as cash, if he chose to consider them as a valuable commodity, and issued them out to his customers afterwards, I do not know enough of the way in which banking business is carried on to give an opinion as to how far that would have brought him within the prohibitions to which I have referred; but I can

Mr. J. F. Stephen, Q.C.

29 April 1875.

Chairman—continued.

easily understand its being contended that it would not do so, and that they wanted to make it plain.

225. Do you not think that that indicated that at that time Scotch notes were introduced into England?—It is obvious that Scotch notes must have been circulated in England at that time, and I do not think, so long as they circulated like coin from hand to hand, apart from the Act of Parliament to which I have just referred, there would be anything illegal in it.

226. I see that another speaker in that debate, Mr. Hudson Gurney, who opposed the Bill, said, "That it was impossible that the right honourable gentleman could carry such a measure into execution. All that he could do to prevent Scotch notes circulating in England, would be to prohibit Scotch bankers from having agents in England, which would make the business of circulating the notes in England so difficult that it would not be advantageous, and that in no other way could it be stopped"; that gentleman's views must have been different from yours as to the legality of the proceeding?—Very probably. It is quite possible that Mr. Hudson Gurney might have taken a different view; but I think, from looking at the Acts carefully, that it would have been illegal for the Scotch bankers to transact business in London. I am afraid I am giving an unreasonably long exposition to the Committee, but it is impossible to make it very short. Going now to 3 & 4 Will. 4, c. 98, which is the Act of 1833, I say that that Act, like its predecessor in 1826, is also limited to England. I think that it is so, because it again is founded upon and refers back to the Act of 1826. As the one is limited to England, so must the other be limited to England. However, apart from that there are two or three special reasons which seem to show that that Act was limited to England. In the first place, if you look to Section 6 you will find that it declares that Bank of England notes are to be a legal tender except at the Bank of England and at branch banks. A question seems to have arisen afterwards as to whether that section applied to Scotland; and by 8 & 9 Vict. c. 38, s. 15, it was declared that that section did not extend to Scotland. If that section does not extend to Scotland, it shows that the Act was confined to England. With the permission of the Committee I will pass over for the moment the 3rd section of that Act, which is the important one, in order to complete my view of the legislation, by saying a word or two upon the effect of the Bank Charter Act of 1844. After the passing of the Act of 1833 you have this state of things: nobody is permitted in England to issue notes at all except the Bank of England, private banks, and joint stock banks 65 miles from London. The Bank Charter Act declares that no new banks of issue shall be opened in the United Kingdom, and that nobody shall be allowed to issue a larger amount of notes than he then lawfully issued, the quantity being ascertained in a certain prescribed way in 1844. That completes the whole scheme of legislation upon that subject; and that brings me back to Section 3 of 3 & 4 Will. 4, c. 98, and to the question of what its true interpretation is. The marginal note of that section is: "That any company or partnership may carry on business of banking in London, or within 65 miles thereof, upon the terms herein mentioned." My view of the section is that it was intended to declare what was the law, viz., that joint stock banks of deposit might be opened in London, although there had been doubts about the legality of it. The Committee is aware that it is stated in Sir Henry Thring's Memorandum that at that time the London and Westminster Bank was either formed or was intended to be formed, and the opinion of the law officers having been taken upon the question whether a joint stock bank of deposit only was permissible under the statutes to which I have referred, they were of opinion that it was; and accordingly this clause was introduced into the Bill. I am now referring to matters which I have not examined for myself, but which are easily verifiable by reference to the Parliamentary debates; but I am told that this Clause 3 was introduced as a substitute for a separate Bill, and was founded upon the opinion of the law officers which I have mentioned. They had intended to have a Bill positively empowering the establishment of joint stock banks of deposit in London upon certain conditions; but upon the strength of this opinion that clause was introduced, and was thrown into its present declaratory form. You will observe that the enacting part of it begins, "Be it therefore declared and enacted;" accordingly it is stated as a matter of law, and as an explanation of the existing law. This, I believe, was objected to by the Bank of England as being a breach of faith on the part of the Government. They justified themselves by reference to the opinion of the law officers, and this clause was passed in those terms. Upon the interpretation of that clause, the whole claim of the Scotch banks in this matter appears to depend, and, if the Committee will allow me, I will read it through, in order that I may explain the interpretation that I put upon it: "And whereas the intention of this Act is, that the Governor and Company of the Bank of England should, during the period stated in this Act (subject, nevertheless, to such redemption as is described in this Act) continue to hold and enjoy all the exclusive privileges of banking given by the said recited Act of the 39th and 40th years of his Majesty King George the Third aforesaid, as regulated by the said recited Act of the seventh year of his late Majesty King George the Fourth, or any prior or subsequent Act or Acts of Parliament, but no other or further exclusive privilege of banking. And whereas doubts have arisen as to the construction of the said Acts, and as to the extent of such exclusive privilege" (those doubts, I apprehend, were the doubts whether a joint stock bank of deposit could be established in London); "and it is expedient that all such doubts should be removed; be it therefore declared and enacted, that any body politic or corporate, or society, or company, or partnership, although consisting of more than six persons, may carry on the trade or business of banking in London, or within 65 miles thereof, provided that such body politic or corporate, or society, or company, or partnership, do not borrow, owe, or take up in England any sum or sums of money on their bills or notes payable on demand, or at any less time than six months from the borrowing thereof, during the continuance of the privileges granted by this Act to the said Governor

Chairman—continued.

Governor and Company of the Bank of England." Now I am informed that those words "in England" (I am told that it appears from Hansard) were introduced as an amendment, being the last amendment that was made in the Bill, that they were put in at the last moment. I think that when the wording of the Act is attended to it is obvious why they were put in. If you look at the 2nd section it is said that "No banking company of more than six persons is to issue notes payable on demand within London, or 65 miles thereof." If you look at the enacting part of this section, and read it without the words "in England," you will see why the words "in England" were put in; "any body politic or corporate, or society, or company, or partnership, although consisting of more than six persons, may carry on the trade or business of banking in London, or within 65 miles thereof, provided that such body politic or corporate, or society, or company, or partnership, do not borrow, owe, or take up any sum or sums of money on their bills or notes payable on demand." If the words "in England" are left out, it would be very natural for anybody to contend, "Oh, that only means to restrain us from issuing notes in London or within 65 miles thereof; and the meaning of the two sections is that we, the new banks to be set up, are not to do that which the banks referred to in Section 2 are prohibited from doing, and we are ready to agree to that." When that construction, which certainly was a possible construction, was pointed out, those words, "in England," were put in to prevent it, that is to say, "We do not mean to say that you are not to issue notes within 65 miles of London, but that you are not to issue notes at all in any part of England."

227. You mean that if those words had not been there, it might have been supposed that the restriction was merely applicable to that radius which has just been spoken of, and that it was therefore thought necessary to make it clear on the face of the Act what the real extent of the prohibition was to be?—Quite so.

228. Then why, if they intended to make clear what was the real extent of the prohibition, did they limit it to England, and not say "in any part of the United Kingdom"?—Because the whole applied to England and had nothing to do with any other place.

229. This is a declaratory clause, is it not?—It is a declaratory clause, and that again would be another reason. They are referring, of course, to all the former Acts, and they say, "This is the law; we do not touch the Acts that went before, but we declare that the prohibitions, such as they are, do not prevent a bank of deposit from being established in London; a bank of deposit may be established in London, notwithstanding those Acts, provided that that bank of deposit does not issue notes in any part of England." That is how I read the clause.

230. But would not that declaration apply further than merely to the case of English banks, and would it not seem to imply that it had never been illegal for the Bank of Amsterdam, for instance, to have an establishment as a bank of deposit in London?—I think not, because that question would depend upon the construction of the former Acts, all of which former Acts are, either expressly or by inference, referred to in the earlier part of this Act. If you read the earlier part of Section 3, the preamble of the section expressly declares that the exclusive privilege assured by the earlier Acts shall be maintained, except so far as it is relaxed.

231. But this clause appears to be one which recites specifically the exclusive privileges intended to be given or continued to the Bank of England by the Act of 39 & 40 Geo. 3, as regulated by the Act of 7 Geo. 4; it recites that doubts have arisen as to what was the extent of that exclusive privilege, and then for the purpose of removing those doubts, it declares that there is nothing to prevent any bank carrying on the trade or business of banking in London, provided it is only as a bank of deposit; does not that seem to imply that those exclusive privileges of banking there referred to did not prevent banks of deposit being established in London?—So long as in other respects they complied with the provision of the Acts.

232. What provisions excluded a bank in Scotland more than a bank in England?—The provisions of the Acts of 1697 and 1707, to which I have already referred.

233. Then you would dispute the construction which some persons have put upon this clause, which is, that the clause was to explain away a mistaken construction which had been put upon the privileges of the Bank of England from the year 1697 downwards?—No, I think that was its intention; my view of the true construction of the earlier Acts is this: that they gave the Bank of England an exclusive privilege of banking throughout England, and that that privilege was afterwards subject to certain exceptions; but that the privilege which it had as against other English banks was the privilege of being the only bank permitted to carry on the business of issuing notes, and therefore they said, "These Acts do not prevent a bank of deposit from being established in London or in the neighbourhood of London, supposing it to be only a bank of deposit."

234. Reverting to the point to which I called your attention just now, and to those indications in the debates in 1828, of there being some system under which Scotch notes were issued in England by agents; supposing that to have been the case, how would you account for no reference having been made in the legislation which took place to a practice which, according to you was illegal, but which seems to have prevailed. If it prevailed would not some of these Acts have referred to it, and declared it illegal?—I do not think there is evidence that the Scotch Banks before 1827 had agents in London, or in England, for the purpose of issuing their notes. I do not know how that may be. It is obvious enough, I think, from the Acts that Scotch notes, circulated in England in the same way in which a Napoleon might circulate in England, and that was rendered in England illegal by the Act of 1828.

235. The Act of 1828 provided that it should be illegal for any body politic or corporate, &c., to publish, utter, negotiate, or transfer in any part of England, any promissory note for the payment of any sum of money less than 5 *l.*, which should have been made and issued in Scotland or Ireland; do you conceive that that left it legal for persons to utter, negotiate, or trans-

Mr. J. F. Stephen, Q.C.

29 April 1875.

Chairman—continued.

fer notes which had been made and issued for sums above 5 *l.*?—It left it as it was before, and unless it was illegal before, it certainly did not make it illegal then.

236. Then, according to your opinion, after the year 1828, and I presume as far on as the year 1844, it was legal to issue Scotch notes of above 5 *l.* in England?—It was legal to utter, publish, or transfer them; but I do not say that it would have been legal for a bank to issue them. They might pass between man and man.

237. Will you read the material words of the 9 Geo. 4, c. 65?—The offence created by the Act, and subjected to a penalty is this: "That if any body politic or corporate, or person or persons, shall, after the 5th day of April 1829, by any art, devise, or means whatsoever, publish, utter, negotiate, or transfer in any part of England any promissory or other note, draft, engagement, or undertaking in writing, made payable on demand to the bearer thereof, and being negotiable or transferable, for the payment of any sum of money less than five pounds, or on which less than the sum of five pounds shall remain undischarged, which shall have been made or issued, or shall purport to have been made or issued in Scotland or Ireland, or elsewhere, out of England, wheresoever the same shall, or may be payable." That is the offence.

Mr. *Goschen.*

238. In fact, it assumes that the note has been issued in Scotland or Ireland, and not in England?—That is exactly the distinction.

Chairman.

239. Will you state what has been the general impression made upon your mind by a review of the various Acts that have been passed?—It is, that the whole course of legislation treats English and Scotch banking as essentially different things, based upon different principles. In England, the first thing done was to establish the Bank of England, and to give it a monopoly. That was in accordance with the policy under which the East India Company, the South Sea Company, and other great commercial monopolies were established at much about the same time. The notion was, that the issue of bank notes was a profitable monopoly, and that it was a good thing to put that profit into the hands of a great body corporate. As time went on, people came to look upon the matter, under different views of political economy, in a different light, and they considered (whether justly or otherwise, I do not presume to say) that the issue of notes ought not to be made a matter, of profit or of speculation, and that with some regard to vested interests means should be taken to restrain, and, if possible, put a stop to, the issue of private notes. Accordingly, the Act of 1844 provided that no additional banks of issue should be opened, and that the issue of existing banks should not be extended, and that their right of issue should, under certain events, be forfeited. It also provided very carefully that the Bank of England should derive no profit from the issue of notes. It appears to me that that system is intelligible in itself, and that is the system established in England. The system established in Scotland, appears to have been entirely different; everybody was allowed to issue what notes he thought fit, or at least, matters were left to take their course, and that resulted after some changes in the establishment of eleven large banks, all of which were banks of issue, and all of which had the power of issuing notes of any amount; that was not in any way interfered with; it was a system which was popular in Scotland, and although at one time there was an intention of destroying it, it was allowed to exist, and does still exist. It seems to me that the two systems have been put by legislation upon an entirely different and distinct footing. I may add, with respect to the Act of 1833, that it does seem, having regard to the general view of the case, a very unlikely thing that the Legislature should require any English bank of issue which comes to London for any purpose, as a bank of deposit, to give up its issue; and that, on the other hand, Scotch banks of issue should be allowed to come to London without giving up their issue. It does not seem to me that that is a probable intentional state of the law, and for those reasons I think the two systems will rest upon an entirely different footing in the manner which I have stated.

Chairman—continued.

240. Going back again to the point upon which I was asking you some questions a short time ago, your attention may perhaps have been called to some debates which took place in the year 1826 upon the question of where bank notes should be payable, and especially to a debate in the House of Lords on the 21st of March 1826, when the Marquis of Lansdowne called attention to the subject, and afterwards brought in a Bill upon it; in which debate he stated that he had heard that one bank, as far off as Aberdeen, made its notes payable in London; according to your view, that would have been an illegal transaction at that time, would it not?—I am not quite prepared to give an answer to that question; it might raise a point of law as to whether that amounted to carrying on the business of banking in London. If it did, I think it would be illegal; if it did not, then it would not be illegal.

Sir *John Lubbock.*

241. Those notes were not paid by the bank itself in London, I think, but by somebody else on behalf of the bank?—It is very difficult to say. It is comparatively easy to form an opinion as to what the Acts meant to do; but when you come to the question whether ingenious persons might not find means of evading them, it is a very different question indeed.

Mr. *Anderson.*

242. I thought your fourth proposition stated distinctly that they might make their notes payable in London; and your fourth proposition was one of those which you said was indisputable, was it not?—I said that English banks might, but not that Scotch banks might. The fourth proposition was: Both the private banks and the joint-stock banks above mentioned may have agents in London for the payment of the notes which they issue, and may state upon such notes that they are payable in London, and may draw bills of exchange for whatever amount they please upon agents in London. That refers to private banks in England and joint-stock banks in England upwards of 65 miles from London.

243. Does

Mr. *Anderson*—continued.

243. Does it refer only to banks in England?—Yes, it was confined to banks in England.

Mr. *Goschen.*

244. I did not understand you to say that you believed that the circulation of notes of Scotch banks above the value of 5 *l.*, which was left untouched by the Act of 1828, would become legal, but that it should be left in the same state as it was before?—Quite so; I think the circulation of those notes would be left on exactly the same footing as it was on before.

245. But you did not commit yourself to any opinion as to the legality or illegality of it?—No; I said simply that that Act did not appear to me to make it illegal to circulate a note above the value of 5 *l.*

246. That Act assumed, did it not, that the Scotch and Irish notes were only issued in Scotland and in Ireland?—Yes. In order to complete the offence which that Act forbids, the notes must have been issued, or must purport to have been issued, in Scotland or in Ireland.

247. Therefore, of course, it did not touch the question of the legality of the issue of any notes by the Scotch banks in England or in Ireland?—No.

248. Section 3 of the Act of 1843, I understand, you consider to be simply declaratory?—Yes.

249. Would it be a very unusual thing in an Act of Parliament, by a declaratory clause, to introduce any new privilege which was not enjoyed before?—It constantly happens in my experience that Acts of Parliament leave a good many matters doubtful, and that it is possible to contend consistently with the Act that a thing either is or is not the law. When you pass a declaratory Act, you alter the law by rendering that certain which before was uncertain; but when a court of law afterwards has to consider the matter, it is bound by the declaration of Parliament to consider that that statement was true.

250. But you do not agree with the view which has been put forward on some occasions that the Scotch banks could not come to London before 1833, but that they are enabled to come there under the clause of the Act of 1833?—Certainly not.

251. If they could not come before 1833 you are quite clear that they could not come under the clause of the Act of 1833?—I think not.

Mr. *Hubbard.*

252. In comparing the different view taken of Scotch and Irish banking, I suppose you were referring specially to the matter of the issuing of notes, and not to ordinary deposit banking?—Yes.

253. I think you remarked that by the year 1844 a conviction had grown up, at all events in England, that the issue of notes ought not to be made a matter of trade or profit; do you confine that idea of profit simply to a private or a corporate establishment, and not to the profit of the State?—That is a politico-economical question which I do not pretend to be able fully to answer. I mean in general that it seems to me, that in earlier times it was considered that whoever carried on that business made a profit out of it,

Mr. *Hubbard*—continued.

and that it was a kind of business which ought to be favoured.

254. But seeing that the issue of notes is in truth a matter which is productive of a very large and a very distinct profit, and seeing that that source of profit was in the first place limited to the Bank of England, and then denied in its extension to any other body, does not the conclusion follow that the profit denied to any private or corporate body, was intended to be resumed and utilised for the purpose of the State?—I think that presumption would arise if it were not for the sections in the Act of 1844 which expressly declared that the Bank of England is not to derive any profit from issue.

255. That is exactly my point; that the profit which may be made by the extension of its issues is to go to the State?—Yes. If I understand the matter right in the relations between the Bank of England and the nation at large, the nation is credited with whatever profit the bank makes upon the issue of notes. The profit of the nation is equivalent to no private profit.

256. Do you draw any distinction between what ought to be the general policy of the country as regards the creation of credit paper in England and Scotland?—People take very different views upon questions of currency. It seems to me that one view has prevailed in England, and that another view has prevailed in Scotland, and that the Legislature has adapted its laws to the feelings and habits of each country; whether wisely or not, it would be improper in me to offer any opinion.

257. At all events, is not this feature to be observed in the legislation of 1845: that, although the profits of the issue in Scotland were not at that time reclaimed on behalf of the State in any way, yet that the power of issue was distinctly limited to the amount which had been in circulation up to a certain date?—No doubt. It seems to me that the general character of the legislation, both in England and in Scotland, was to discountenance private issue, subject to a regard for vested interests in each country.

Sir *John Lubbock.*

258. Under those circumstances it certainly would not have been the policy of the State, I presume, to have allowed the acquirement of any fresh right which would increase the value of that issue?—I think not. The whole legislation seems to me to bear upon its face the marks of a kind of settled compromise; and if you alter the terms of the compromise, you re-open the whole matter.

259. I think Lord Althorp, in speaking on the the Bill of 1833, expressed his intentions in these words, "I propose that no joint stock bank of issue shall be established within a less distance than 65 miles from the metropolis;" that, I think, would confirm the interpretation which you put upon the Act?—It would confirm the interpretation I put upon the Act, no doubt.

260. In answer to the right honourable gentleman the Member for the City of London, you stated that in your opinion, the Act of 1833 did not give to the Scotch banks the right of coming to England if they had not possessed it before?—I think so.

Mr. *J. F. Stephen.* Q.C.

29 April 1875.

Sir *John Lubbock*—continued.

261. I think you also expressed it as your opinion that they did not possess it before?—Yes.

262. And that they have not acquired it by any subsequent legislation?—I think not.

263. I think I also understood you to say that you thought it very unlikely that it should have been intended that the English banks of issue should be compelled to give up their issues if they come to London; and that the Scotch banks should not be subjected to such a restriction; and that therefore unless it was very clearly stated, the law would not bear any such interpretation?—It seems to me to be so improbable that, if the law did say it, one would think that it had been a slip on the part of the persons who drew up the Acts, or an oversight on the part of Parliament.

264. The Right Honourable the Chancellor of the Exchequer referred to an opinion on a point of law expressed by Mr. Hudson Gurney in a debate, in the year 1826; Mr. Hudson Gurney was not a lawyer, was he?—I had the honour in my youth of knowing him slightly; he was an exceedingly clever man, but I do not think our profession had the credit of it.

Mr. *Beckett Denison.*

265. Mr. Fleming, when he appeared before the Committee on Thursday last, was asked this question, No. 182: "Are you aware that you are liable to a penalty of 20 *l.* for every 1 *l.* note you cash in England, and that no one can transfer a 1 *l.* note in England without incurring a penalty." His answer was, "I am very much obliged to the honourable Member for telling me so, for I admit my ignorance upon that point." Would those prohibitory words of the Act of 1828, which you have read to the Committee, one of which I think is "negotiate," cover the cashing of Scotch bank notes by the Scotch bank's own London agent?—I am afraid it would; at any rate, it is transferring the note. You might just raise a question as to whether the payer and the receiver were *in pari delicto*, but I do not know. It seems to me that the plain sense of the thing is, that it is a transfer; it is accepting a transfer, if it is not transferring.

Mr. *Orr Ewing.*

266. The banker is not transferring it; he is receiving it?—In order to make a transfer, there must be two parties, the man who gives, and the man who takes. If you give me a note and I give you money, it seems to me that we both of us transfer that note from you to me.

267. Even with a consideration?—Yes; I may say, with reference to that question to Mr. Fleming, that I was very much surprised when I read the statute. It seems to me very stringent.

268. It is with regard to 1 *l.* notes only, is it not?—It is with reference to notes under 5 *l.*

269. There are no other notes under 5 *l.*, except 1 *l.* notes, are there?—I believe not.

Mr. *Beckett Denison.*

270. Mr. Fleming rather founded an argument upon the Act of 1828, that it was reasonable to suppose that in consequence of that Act the Scotch banks had previously to that date taken some action for the issuing of their notes in this country, and I asked him these questions: "You are aware, no doubt, that the Act of 1826, regulating issues, was a prospective Act, and that the 5 *l.* notes were to be the limit after a given date, that is to say, the year 1829?—(*A.*) That is so. (*Q.*) And that between the passing of that Act in 1826, and the year 1829, the Bank of England was required every month to publish the amount of notes under 5 *l.* which it had in circulation. (*A.*) Yes." Now, I come to the point to meet his argument, and I ask, "Is it not a reasonable presumption that the Act of 1828 was passed with reference to the coming date of 1829, when all notes under 5 *l.* would be illegal?" Was it not passed in order to clear up a doubt which had arisen in the public mind with reference to the possible issue of Scotch notes after the date at which English notes of 1 *l.* or under 5 *l.* would become illegal?—I think that is very probable; I think the two Acts, when you read them together, really speak for themselves. I quite agree that the Acts look forward in each instance to the year 1829. The first Act says, that nobody is to make, sign, issue, or re-issue in England any 1 *l.* note; and the other Act puts the same thing more strongly in order to make it quite clear that you are not to transfer, or pay, or deal in any way whatever with a Scotch note or an Irish note.

271. I need not take you again over the ground which you have already traversed, as regards the English Act of 1826, but you are clearly of opinion, as I understand, that there is nothing in that Act which could by any possibility be interpreted as referring to the Scotch banks?—No; I think that the Act, as I have said, applies to England only.

Mr. *Anderson.*

272. Am I right in understanding your reply to the honourable Member for the City of London to mean that you understood the policy of the Act of 1844 to be to take the profit on issue from the Bank of England and to give it to the nation?—Yes.

273. You meant that, I suppose, only as regards the increase of issue, and not as regards the existing issue?—I think the object of that Act was, that the issue of bank notes should be no longer a matter of private profit, whether in the hands of the Bank of England or in any other hands.

274. I quite admit that it is provided that the profit on the increase beyond 14,000,000 *l.* shall go to the nation; but do you mean that the stipulations of the Act in any way took away from the Bank of England their profit on the 14,000,000 *l.* which they then issued?—I have not looked at the matter with reference to the interests of the Bank of England particularly, and it may very well be that the profit on the issue of the 14,000,000 *l.* was left to the Bank of England because they had got it; but that at the same time the Legislature thought, having regard to vested interests, that the system ought to be carried no further; and it makes equally for my argument whichever be the true view of the question; but the Bank Charter Act of 1844 really speaks for itself, in sections 8 and 9, one of which has, by the way, since been repealed; I suppose, as having expired.

275. May I ask what it was that induced you

to

Mr. *Anderson*—continued.

to pay special attention to the Banking Acts?—Simply, that I was requested to do so professionally.

276. May I ask at whose instance?—I was applied to professionally by a Parliamentary agent; I do not know whether it is wished that I should mention his name, but I am willing to do so if it is required.

277. All I wanted to know was, whether it was done at the instance of the London bankers?—I was instructed to look into the case on behalf of English bankers generally.

278. Do you remember when it was?—It was two days ago, or perhaps a week ago. I appear here without my robes, but I am here very much in the character of a man who has his robes on.

279. All I wanted to know was, whether you were doing this for the special benefit of this inquiry, or whether it was an old story, and that you had done it perhaps years ago in your professional capacity?—No. I really have tried, although I am an expert and am giving evidence as an expert, to form an honest opinion upon the matter; but I tell you fairly that I come here in a professional capacity, simply with a view to this particular investigation. It seemed to be thought that I could be of some use to the Committee, and I therefore came. I have never turned my attention to the subject before. I have studied, as well as I could, the different Acts relating to these matters, and I give you my impression of them; but of course one is more or less biassed by the side on which one is called.

Mr. *Mulholland.*

280. I think you described the Act of 1826, as an Act to permit banks of issue in England beyond the 65 miles radius, and the Act of 1833 as an Act to permit banks of deposit within the 65 miles radius?—Yes.

281. That being so, I do not quite see the force of a remark upon which you seem to lay stress, that both those Acts applied to England; it seems to me rather a truism?—The enactments are very general, and I think they are restrained to England by the considerations which I have mentioned; but at the same time if you look at them by themselves, they are generally worded, and as a matter of fact, the claim of the Scotch banks to come to London is founded, as I understand, upon the interpretation of Section 3.

282. But England being the field to which the legislation is applicable, the Acts must necessarily, so far as that field goes, be limited to England; I do not think you meant to imply that none but English banks could come to London under the Act of 1833; the bank of Amsterdam, for instance?—I do not think that if it was a bank of issue at Amsterdam, it could come as a bank of deposit to London under that section.

283. Is there anything in the wording of the Act of 1833, to lead to that conclusion?—I base that conclusion, as I have already explained, upon the earlier Acts of 1697 and 1707; I think that those earlier Acts established a very general exclusion, a system of complete monopoly. That system has been relaxed to a certain extent by subsequent Acts, and amongst others, by the Act of 1833; but I do not think that the relaxation has gone to the extent of admitting foreign banks of issue to have branches for deposit in London.

Mr. *Mulholland*—continued.

284. That turns altogether upon the construction of the words "banking," and "banking business," used in those early Acts, and is not the effect of the Act of 1833, to define the meaning of "banking business," the prohibitory clauses to be merely the business of issue?—I do not think it goes so far as that by any means. If it is said that the early Acts did not exclude a bank of issue from establishing a bank of deposit in England, that I can quite understand; but it is going a good deal further to say that it allowed the establishment of a depositing branch of a bank of issue.

Mr. *Orr Ewing.*

285. You stated, did you not, that it was intended by the Act of 1826 to restrict banks in England from issuing notes below 5 *l.*, and that it was intended also to have applied to Scotland, but that it was so opposed by the people of Scotland that the intention was abandoned by the Government?—I believe that it is a matter of common historical knowledge.

286. Are you aware that two Committees, one of the House of Lords and one of the House of Commons, sat in the year 1826 upon this question, and that they gave unanimous reports in both Houses so strongly in favour of the Scotch system of banking and the benefit of the circulation of 1 *l.* notes in that country, that the Government, in consequence of those reports, abandoned their intention?—I was well aware that there had been a great discussion, but I was not aware of the particulars of that discussion, and I was not aware of those Committees. I do not mean to say anything in any degree disrespectful to 1 *l.* notes or to Scotch banks. I know that the whole subject exercises a very great fascination over the minds of people who like that kind of discussion, and I did not mean to express any opinion at all about it. I only meant to state, as a matter of fact, that the Scotch took a favourable view of their own system of banking, and that it had been maintained accordingly. I daresay it was quite right.

287. Had you known that Committees of both Houses had sat upon this question and reported unanimously in favour of the maintenance of 1 *l.* notes, and strongly in favour of the Scotch system of banking, you would not, I presume, have given the answer you did, that it was the agitation of the people of Scotland that induced the Government to abandon the intended legislation?—I might have said that it was in consequence of the two together. I should think it extremely probable that a strong, and for aught I know to the contrary, a perfectly legitimate feeling upon the subject in Scotland might have influenced the deliberations of the Committees, and I think the Committees would have done wrong if they had not taken it into consideration.

288. Surely you would admit that the Reports of Committees of both Houses of Parliament are a stronger reason upon which to legislate for a country than agitation by the nation at large?—It must all depend upon circumstances. I do not at all mean to say that the Government had given way to an irrational clamour. I meant to say that the Government, finding that the Scotch liked their own system, left it alone. If you add that they were recommended by Committees of both Houses to leave it alone, all that I can say is that that shows that they considered the subject very

Mr. *J. F. Stephen*, Q.C.

29 April 1875.

Mr. *J. F. Stephen*, Q.C.

29 April 1875.

Mr. *Orr Ewing*—continued.

very carefully, and that they probably arrived at the right conclusion.

289. Have you read the letters which were written by Lord Liverpool at that time upon this question?—No.

290. Nor the debates which took place in the Houses of Parliament?—No.

291. You have just got up such information, I suppose, as was submitted to you by those who wished you to give evidence here?—That one little bit of information, it so happens, I got from reading "Lockhart's Life of Scott." In reference to his writing "Malachi Malagrowther's Letters," there is an account of there having been a very strong feeling upon the subject in Scotland, and that brought it to my mind.

Mr. *Goschen.*

292. Do you only refer to those Acts of Parliament which have been supplied to you by the people who instructed you?—I have looked to all the Acts of Parliament which appeared to me to bear upon the subject. I think my great instructor was Sir Henry Thring. I have his Memorandum, and there is a complete list there of all the Acts upon the matter.

Mr. *Orr Ewing.*

293. You said that there had been acknowledged by Parliament two systems of banking, one for England and one for Scotland, but you did not mention Ireland; I presume that you wish to confine yourself to those two countries?—Yes.

294. You stated that the issue of notes being looked upon as being profitable, a monopoly was given to the Bank of England in the early period of banking, which was afterwards extended by the system of banks of issue in the country districts; are you aware that the Scotch banks, which are now 11 in number, were once much more numerous?—Mr. Fleming says in his Memorandum that there were once 24 banks in Scotland.

295. What is the amount that the Bank of England pays for its monopoly?—I do not know.

296. By the Act of 1844 it was intended to reverse that monopoly, and to take the profit to the State, was it not?—Yes.

297. Do you know what is the amount that the Bank of England pays for that monopoly?—They used to pay 180,000*l.*, I believe.

298. And that is the profit which the State derives from the monopoly which the Bank of England has for the circulation of 14,000,000*l.*?—I think it is so; but I cannot speak with precision upon that.

299. After the circulation goes beyond the 14,000,000*l.*, then the nation gets the whole profit?—Yes.

300. But the amount of profit upon the 14,000,000*l.* is 180,000*l.*; are you aware what the circulation of the banks of Scotland is?—No.

301. You have referred to 3 & 4 Will. 4, c. 98, s. 3, and particularly to these words in that section: "Provided that such body politic or corporate, or society, or company, or partnership, do not borrow, owe, or take up in England any sum or sums of money on their bills or notes payable on demand;" I presume that that refers

Mr. *Orr Ewing*—continued.

to the issue of bank notes, according to your definition?—The phrase is repeated again and again for upwards of a hundred years; and I think it is obvious that it means issuing notes.

302. Do you think that if Scotland or any other country had been intended to be restricted from carrying on banking in London they would not have been more definite, and made mention of it?—I do not think that anything can possibly be more definite and precise than the language of the early Acts of 1697 and 1707.

303. But this is an Act declaratory of all other Acts, is it not?—Then you must go back to the other Acts, and see what they say.

304. Do you think that the Legislature would have been so vague in their expression here if they had intended it to apply to banks in other countries, and not strictly to banks of issue in England?—I never yet saw an Act of Parliament that might not have been more clearly drawn in some particulars; but being called upon to say what I think that Act means, I state what I think it does mean, and I have given my reasons. It might have been more emphatically expressed, no doubt.

305. And very likely it would have been, if it had been intended?—That I cannot give an answer to at all. I think it very likely indeed that the point did not immediately occur to a great many of the people who were concerned with that Act, for this plain reason, that the main subject which was present to their minds when that clause was drawn up, was the declaration of the legality of the London and Westminster Bank. They had not the question of the Scotch banks before their minds, I should think.

306. In your summing up or your peroration, you said that you could not fancy that the Legislature had intended to confer a greater benefit upon banks in Scotland in allowing them to come to London than they intended to confer upon Banks of Issue in England; in other words, that you could not fancy that they intended that stronger restrictions should be placed upon the Banks of Issue in England than upon the Banks of Issue in Scotland?—Yes.

307. But did you not admit before that there were two systems; that the Bank of England has a monopoly of issue in England, and that the banks in Scotland have a monopoly of issue in Scotland; is not that a cause of the difference that the banks in Scotland have this power, as compared with the banks of issue in England?—It seems to me a very odd thing, that if the banks in Scotland have got a monopoly in Scotland they should be allowed to get a finger into England too.

308. Are you aware that the Scotch banks do not issue notes in England?—Certainly they do not issue notes in England, and the Banks of Issue in England cannot issue notes within 65 miles of London.

309. Nor in Scotland?—No.

310. The Bank of England could go to Scotland, could it not?—I do not think it could.

311. Could they not discount bills in Scotland?—I will not say about discounting bills; but I think that the Bank of England cannot establish a branch bank in Scotland.

312. Are you prepared to say that they cannot?—

Mr. *Orr Ewing*—continued.

not?—I have not read the Acts with that question definitely before my mind, so as to be able to give you a precise answer to it; but the strong impression upon my mind is that the Bank of England is authorised only first of all to have its establishment in London, and then to have branch establishments in various parts of England in which to carry on its business. I do not know what authority it has to establish itself anywhere else.

313. Do you think that an English bank, even a Bank of Issue, leaving its issue behind, could establish a branch in Scotland?—As far as I know, I think it could, because in the Scotch system there was never any monopoly at all in law, though a monopoly in fact has grown up.

314. And notwithstanding that the Bank of England, or a bank in England, could go to Scotland, you think that no bank in Scotland is entitled to come to England or to London?—I think not.

315. Do you think, then, that the law is reciprocal?—The difference between the two systems is this, that in England the law is monopoly, and the exception is freedom, whereas in Scotland the law is freedom, which has practically resulted in a monopoly.

316. As a matter of policy, what do you think ought to be the case?—I decline to give any opinion at all upon questions of policy.

Mr. *Mulholland.*

317. May I ask to have an explanation of the last reply which I got from you; did you mean that under the Act of 1833 no bank of issue, even if it was a foreign or colonial bank, could establish a branch in London?—I answer your question thus: I do not think that the section to which you refer would empower them to do so; and I do think that other Acts, to which I have already referred, exclude them.

318. Would it modify your opinion if you knew that there were a number of such banks in London now receiving deposits?—No, it would not modify my opinion.

Sir *Graham Montgomery.*

319. Were you furnished with the several Acts relating to the Bank of Scotland?—No; all that I know about the individual banks in Scotland is derived from Mr. Fleming's Memorandum upon that subject; and I cannot say that I have thought it necessary, for my purposes, to study these Acts very closely. At all events, they would be private Acts of Parliament, and they do not bear upon the general system.

320. If you had read them, I wished to ask you whether it was your opinion that there is anything in those Acts of Parliament which would prevent the Bank of Scotland from coming to England?—As I have not read them, I cannot say. The question whether it could do so or not would hardly throw any light upon the British Acts of Parliament.

Mr. *Orr Ewing.*

321. Are you aware that by the charter of the Bank of Scotland of 1695 one-third of the proprietary were in England and two-thirds in Scotland; that the one-third were merchants in London, and that the first Governor of the Bank

Mr. *Orr Ewing*—continued.

of Scotland was an English gentleman residing in London?—I am quite ignorant about it.

Mr. *Campbell-Bannerman.*

322. From your study of the statutes affecting this question, what idea have you formed of their general purpose and principle; has not the main object been to establish and secure, and from time to time to alter and limit, certain privileges of the Bank of England?—To some extent it has been so; but of course it was impossible to do that without at the same time affecting the position of all other banks. There is no doubt that the position which the Bank of England had, as being originally a great monopoly, does very largely affect all the legislation; it runs through it from first to last.

323. And restrictions were placed upon the right of issue mainly in that way, were they not?—I have already given my opinion about that. First of all, for a considerable time, the Bank of England had the monopoly of issue, which was regarded as a profitable matter. Afterwards it was extended to the private banks and joint stock banks. Then by degrees it was withdrawn from them, and the extra profit was withdrawn from the Bank of England.

324. Do you know if the Bank of England has ever raised any objection to the establishment of Scotch banks, either in London or in any other part of England?—No, I know nothing about it.

325. Nor are you aware whether the Government of the day has ever objected to it?—No.

326. I understand that you do not deny a common right to set up deposit banks?—On the contrary, that, having been more or less doubtful, is distinctly affirmed by the section to which I have already referred.

327. And you think that the position of the Scotch banks is illegal, not because they possess in Scotland any privilege from the Government of this country, but simply because they issue in some part of the world, and that Scotland may be considered for that purpose as a foreign country?—Yes.

328. It is in your opinion the mere fact of their issuing which prevents them from being open to establish a bank here?—Yes; I think that the fact that they are banks of issue prevents them from opening branches in London.

329. You consider that a company, however large, which issued notes in any part of the world, however remote, would by the very fact of so issuing notes be prevented from conducting banking business in England?—That is my view of the law.

330. You are of course aware, or at least you would not be surprised to know, that many English counsel hold an opinion opposite to yours, as to the legality of Scotch banks in England?—I should be extremely surprised to find that there was any question of this kind upon which counsel did not hold opposite opinions.

331. You are aware that an Act was passed in 1873, allowing the Royal Bank of Scotland to set up a branch in London?—I am aware that Mr. Fleming states that very recently indeed such an Act has been passed.

332. Would it not seem to follow from the fact of the Government sanctioning, and Parlia-

Mr. *J. F. Stephen*, Q.C.

29 April 1875.

Mr. *Campbell-Bannerman*—continued.

ment passing, that Act, that they held an opposite view to yours, as otherwise Parliament would have been conferring a right upon that individual bank which the other Scotch banks on your theory did not possess?—I really do not know the particulars of that transaction, or how far the matter was brought before Parliament, or how far the legal questions connected with it were discussed; but I gather from what Mr. Fleming says upon the subject that the object of that Act was to alter matters in the internal constitution of the Royal Bank of Scotland, which would have prevented it at all events from coming to London, however legal it might have been. I have never seen the Act, and I do not know anything about it, but I can conceive it to be quite possible that it might leave them subject to laws which would show that the privilege which they had got was of very little use.

Mr. *Goschen.*

333. I presume that you did not know the mind of the late Government upon the subject?—I did not know the mind of the late Government upon any subject.

Mr. *Campbell-Bannerman.*

334. But as a matter of fact that Act would not have become law if the Government, who of course have to consider all subjects affecting banking, and especially issues, or if the Bank of England, who are greatly concerned in the matter, had objected to it?—That, again, is more than I can say; I have not the honour and I never had the honour of a seat in your honourable House, and I do not know what degree of attention it is the practice of Parliament to pay to every possible point of law that may arise upon a private Act and its relation to public Acts.

Mr. *Orr Ewing.*

335. If it was introduced by a member of the Government?—Those things are above me.

Mr. *Campbell-Bannerman.*

336. With regard to the Act of 1826, there is an expression which has been much dwelt upon as to certain companies having the whole of their banking establishments in England; you are aware that that expression occurs only in the recital, and that in the enacting clause there is no such limitation at all?—It seems to me that the recital and the enacting clause go together and interpret each other. The recital in the preamble is this: "And whereas the Governor and Company of the Bank of England have consented to relinquish so much of their exclusive privilege as prohibits any body politic or corporate, or any number of persons exceeding six, in England, acting in co-partnership, from borrowing, owing, or taking up any sum or sums of money on their bills or notes payable on demand, or at any less time than six months from the borrowing thereof, provided that such body politic or corporate, or persons united in covenants or partnerships, exceeding the number of six persons in each co-partnership, shall have the whole of their banking establishments, and carry on their business as bankers at any place or places in England exceeding the distance of sixty-five miles from London," and so on. Then it

Mr. *Campbell-Bonnerman*—continued.

goes on to say: "Be it therefore enacted, that from and after the passing of this Act, it shall and may be lawful for any bodies politic or corporate erected for the purpose of banking, or for any number of persons united in covenants or co-partnership, although such persons so united or carrying on business together shall consist of more than six in number, to carry on the trade or business of bankers in England, in like manner as co-partnerships of bankers consisting of not more than six persons in number may lawfully do, and for such bodies politic or corporate, or such persons so united as aforesaid, to make and issue their bills or notes at any place or places in England exceeding the distance of sixty-five miles from London." The one thing seems to me to echo the other, although I must say that the drafting of that Act is extremely complicated and wordy, and I think it would be much more clearly expressed now.

337. With regard to the Act of 1828, restricting the transfer of notes under 5*l.*, can you assign any reason for that Act dealing with notes under 5*l.*, and leaving the higher notes untouched?—The reason is obvious. The whole discussion, as I have always understood, upon the subject of paper money turned entirely upon the small notes; large notes of considerable sums were never likely to form ordinary currency.

338. But it appears from the fact of their being omitted that at that time there was no objection entertained to the circulation of the higher Scotch and Irish notes?—At that time anybody in England, or in any part of England, might set up a private bank, and issue notes above 5*l.* of any amount he liked, so that there was no object in restricting the circulation of large notes; the object was to restrict the circulation of the smaller ones.

Mr. *Norwood.*

339. With reference to the illegality of dealing with Scotch notes under 5*l.*, did I rightly understand you to state it to be your impression that that was not simply aimed against the Scotch issues, but against the issues of any bank out of England?—It seems to me that the words of that Act go so far as to make it an offence, subject to a penalty of 20*l.*, to change a Scotch or Irish bank note in a shop in London.

340. Does it go beyond Scotch or Irish notes?—It says, "or note of any other country."

341. Then is it an illegality for me to go and purchase a number of small Bank of France notes, or Bank of Russia notes?—I am afraid it is; it is a very curious discovery to me that it should be so.

342. Then, in point of fact, a large amount of business is done every day in the City of London which is evidently illegal, and that is the business of money changers and bullion brokers?—It looks like that to me, but there are several surprising things in the Statute Book.

343. In your opinion, is it a desirable thing that that should be in the Statute Book?—I must respectfully request not to be asked to answer that question; I cannot say anything about the policy of these things.

344. A Bank of England note has no legal currency out of England, I believe?—No; there is an express Declaratory Act which says that the clause does not refer to Scotland.

345. As

Mr. *Mundella.*

345. As the sum of your evidence, I suppose I may gather that, in your opinion, no bank having a note issue in Ireland, Scotland, the Colonies, or elsewhere, can legally conduct banking business in London?—Yes.

346. And further, that it is illegal to cash a note of any Irish, Scotch, Colonial, or foreign bank in London?—It is illegal to cash a note of any such bank under 5*l.*

347. But that notes of a higher denomination may legally be cashed?—Yes.

348. And that that illegality extends to notes under 5*l.*, even though they be cashed subject to a discount?—I think that the words of the Act apply to that, because they are drawn as widely as it is possible to draw them; but the conclusion is so very alarming that I think any court of justice would do the very utmost they could to get out of it.

Mr. *Balfour.*

349. Your view is, I think, that the restrictions on banking by Acts previous to 1826 were universal in their application?—Yes.

350. But that the relaxations subsequent to and including 1826 are confined to England?—Yes.

351. Your interpretation of the relaxing clause of the Act of 1833 is partly founded upon what you would consider to be the obvious propriety of confining that relaxation to England, is it not?—I do not introduce that consideration in interpreting the clause; I introduce that consideration in looking at the general question, but the interpretation of the clause seems to me to rest upon the clause itself.

Mr. *W. Shaw.*

352. Are you aware that in 1826 and 1833 a provincial Bank of Ireland existed in London, with its head office in London and with an issue in Ireland?—No, I know nothing of it.

353. And that very soon after 1833 the National Bank of Ireland was formed?—I am not aware of that.

354. And that it has for many years now conducted a large banking business in London?—I was not aware of it.

355. So that they must have been advised upon this point which you have so fully considered; and they thought, at all events, that they were acting with perfect legality?—I have no doubt that in these questions people will take different opinions, and I daresay they did.

356. You have stated that the policy of these Acts, as far as England is concerned, has evidently been to absorb the circulation for the Bank of England?—I think that the policy of the Acts has been to discourage the issue of notes by private banks.

357. In reading these Acts, have you found anything at all to justify you in thinking that the same policy has been adopted for Scotland and Ireland?—With regard to Ireland my attention has not been so much called to the matter, because this question, as I understand, arose with reference to the Scotch banks. With regard to Scotland, it seems to me that the policy of legislation has been the very simple one of leaving matters alone.

358. There is a very elaborate machinery in the Act of 1844 for meeting the case of English banks giving up circulation, is there not?—Yes.

Mr. *W. Shaw*—continued.

359. Are you aware that there is no such machinery at all referring to the other countries?—The Act speaks for itself; I have not looked at it with a view to that, but the only provision in the Act of 1844 seriously affecting Scotland and Ireland, that occurs to my mind at this moment, is that section which says that no new bank of issue is to be established in any part of the United Kingdom.

360. But if the Bank of Ireland, for instance, felt that for its own business purposes it was necessary to have a branch in London, it must, according to your reading of the Act, give up its circulation?—Yes.

361. Then how could it conduct its business in Ireland?—That is for it to consider.

362. So that, on the face of the legislation, it is absurd, and you could not carry out the theory which you have laid down for Ireland and Scotland?—I have not said so; I do not myself see the inconsistency of it. The effect of that would simply be that a bank would have to choose between the position of being, on the one hand, a bank of issue in Ireland or, on the other hand, a bank of deposit in England and a bank of deposit in Ireland.

363. How could it carry on its business in Ireland without its note circulation?—That is not for me to say; I do not know. The probability would be that if they found the business of banking in Ireland with a right to issue bank notes a good one they would be satisfied with it, and would not come to London; but, on the other hand, if they thought they could do better in London, they would give up their note circulation in Ireland.

364. But an English bank giving up its circulation gets Bank of England notes at once; whereas an Irish or Scotch bank giving up its circulation has nothing but gold to fall back upon?—That is a matter of policy rather than of law.

Mr. *Leveson Gower.*

365. Do the Judges consult the debates in Parliament to guide them in their construction of an Act of Parliament?—I do not venture to say what the Judges do, but counsel are not allowed to quote the debates. I think that the principle of interpreting an Act of Parliament is, that you have to interpret it by looking at the words of the Act, and at matters of well known general history and general information, but I do not think that the Judges would look at the speeches of particular honourable Members.

366. But they do not confine themselves to the words of the Act, do they, in gathering what the intention of the Act is?—It is very difficult to lay down an absolute universal rule upon such a question as that. They would have to look at a variety of circumstances. There is an excellent illustration of the way in which Acts of Parliament upon this subject are interpreted in Lord Chief Justice Tindal's judgment in the case of the Bank of England *v.* Anderson.

367. Is it not the case that when the words of an Act of Parliament are of a prohibitory character, then those words are construed strictly; that

Mr. *J. F. Stephen*, Q.C.

29 April 1875.

Mr. *Leveson Gower*—continued.

that is to say, literally, without any regard to what might be the intention of the Act?—I think that that is too wide a rule to lay down, and that the tendency of courts of law for many years past has been rather to lay aside technical rules of interpretation, and to let every case stand upon its own merits; but, at the same time, I think that there would be an obvious inconvenience in referring to the speeches or declarations of particular honourable Members in Parliament, because it is quite impossible to say how far the opinions of one honourable Member might represent the motives of the House in adopting a particular measure.

368. But I understand you generally to say that, in your opinion, the law upon this question is very doubtful?—I think it is like other intricate legal questions; a matter upon which people may take different views.

369. Do you think that either view of this question might be fairly arguable in a court of law?—Certainly.

370. And therefore, although you have come to a certain conclusion after looking over these Acts during the last few days, yet if you heard the question argued in a court of law you might very possibly come to a different conclusion?—Quite so. I wish to treat the Committee as fairly as I can. I have looked at the thing from the point of view of those who have instructed me, and it is impossible that a man should do otherwise when he is concerned in a matter of this kind, but I have tried to form an honest opinion about the matter, and I have given it to the Committee. It is very possible that I may be wrong, and that I might hear arguments which would lead me to form a different conclusion. If I were asked upon what grounds I should form a different conclusion, I should say that the matter which ought to be most considered is the interpretation and the extent of the original prohibitions.

371. Then, we may take it that you have not come here to tell us what the law is, but merely what your view of the law is?—It is impossible for me to tell anything about the law, except what my view of it is; but as to my view of it being right, I have had painful experience that it is frequently wrong, and therefore it may be wrong upon this occasion, for aught I know. However, there it is, whatever it is worth.

372. In fact, there are some disputed points of law in this matter, upon which different opinions may be formed?—If I were asked whether an eldest son was heir-at-law to his father, I should say that I was strongly of opinion that he was; but, at the same time, if you got proper authorities on the other side, I do not know what one might think of it then.

Mr. *Backhouse*.

373. Still we may take it that you have fully considered the whole question to the best of your legal judgment?—The opinion which I have stated is the honest result of a careful study of a great number of Acts of Parliament, from the point of view of those persons who suggested to me that I should look into the matter.

374. I see that in the debate of the 31st of May 1833, on the resolutions which were the foundation of the Act of 1833 which you have

Mr. *Backhouse*—continued.

quoted, Lord Althorp said that the propositions which he had submitted to the House were intended merely to apply to England and Wales, and did not extend either to Scotland or Ireland; I presume that those resolutions were the foundation of the Bill, and that this would confirm your interpretation of it?—That would confirm my view of the Bill, no doubt.

375. You said that your fifth proposition was doubtful; I understand you to mean that it had been doubted by some people, but that your own opinion is clear upon the point?—What I mean is that, as was suggested by the honourable Member who examined me last, it is an arguable point, and that I could not expect everyone to take the same view of it as I have taken. But that fifth proposition is a deduction from four or five different Acts of Parliament which I believe to bear a certain meaning. Of course, in putting together the provisions of a number of Acts of Parliament, passed at different times and in different styles, and with reference to changing circumstances, it is the easiest thing in the world to make a mistake, although I have done my best to avoid it.

376. With regard to the Act of 1828, I presume that you consider it to be merely an Act imposing more stringent penalties, and further prohibiting the circulation of 1 *l.* notes?—I think that the Act speaks for itself. It says, in substance, "The Legislature wished, by a former Act, to prevent the circulation of Scotch notes; it is doubtful whether that former Act had that effect; here is something which removes that doubt."

377. In fact, it had reference to no other subject than merely the prohibition of notes under 5 *l.*?—The prohibition of notes of whatever country under 5 *l.*

378. With regard to the question as to transfer and negotiation, I presume that if a bank charges a commission for cashing a 1 *l.* note, there could be no question whatever as to the negotiation of the note, even if it was their own note?—I should say "yes" to that question, if you asked for my opinion. At the same time the consequences to which that leads are so very surprising, that one would hope there is some way out of it.

379. I believe there is a penalty for transferring a light sovereign, is there not, though it is daily evaded?—Sir Henry Thring can tell you better than I; but I believe that in various parts of the Statute Book there are penalties lying in wait for one, which we none of us know anything about, and which might produce at any time the most unpleasant results.

Mr. *Sampson Lloyd*.

380. In your fifth and sixth propositions you limit the banks there described to joint stock banks; may I ask whether private banks which issue notes are not comprised too, or was it intended to limit it to joint stock banks?—I intended to limit my propositions to joint stock banks.

381. Do not those propositions apply to private banks in the same way?—I do not know whether there is such a thing; but if there was a private bank in France, with less than six members, which issued notes, I think that they might establish a deposit house in London. I do not think that

Mr. *Sampson Lloyd*—continued.

that if there was a private bank in Scotland of less than six members, which issued notes in Scotland, that bank would be debarred from carrying on deposit business in England. It is a doubtful question, upon which I should be very sorry to express a positive opinion.

382. Your sixth proposition was that any joint stock bank which does not issue notes anywhere may carry on all other branches of banking business, except the issue of notes in any part of England; does not that apply to private banks too; was the omission of private banks accidental or intentional?—I have no doubt that it would apply to private banks; but the important part of it is its application to joint stock banks.

383. I understand from your evidence that your opinion is that the cashing of a note by the London agent of a Scotch bank, for instance, is, in the language of the Act of 1828, transferring or negotiating the note; suppose that is so, because that note is a document which may be reissued when it goes down to Scotland?—It seems to me that if two people respectively buy and sell a particular article, each of them transfers it from the one to the other.

384. But if the notes were cancelled as the Bank of England is understood to cancel its notes, that would not apply, would it?—There you come upon a point of law. You must clearly transfer the property in the note in order to be able to cancel it.

Mr. *Hussey Vivian.*

385. I understand that you consider that there has been a perpetual succession of Acts in regard to banking affecting England only from 1697 downwards?—Yes.

386. And that your contention is built upon that perpetual succession so to say, of those Acts, those Acts having no reference whatever to anything outside of England?—Quite so.

387. And you do not consider therefore that the Acts of 1828 and 1833 which modify the provisions of the earlier Acts could even by lapse be held to include countries outside of England?—There are scattered provisions in those Acts which have a wider operation, but, speaking generally, I think that those Acts are meant to apply to England, and to England alone.

388. And that the mere lapse of providing against other countries by specific words does not admit those countries to the benefits of the exemption?—You provide against the banks of other countries coming into England. The Act applies to England exclusively, but it applies to Scotch notes coming into England and not to Scotch notes staying in Scotland; and therefore that does not in any way extend the operation of the Act beyond England.

389. The Act being levelled entirely at English banking cannot be held in your opinion in any way to affect the rights of other bankers?—Quite so. The Act says, no one shall come within this area. The effect of that is of course in a certain sense to affect everybody outside the area, but it affects them only when they come inside it; so that the effect may be said to apply to that area alone.

390. You hold that the original provisions of the Act of 1697 and subsequent Acts are still

Mr. *Hussey Vivian*—continued.

in force, except so far as they are repealed by subsequent Acts?—Except so far as they are expressly relaxed by the subsequent Acts to which I have referred.

391. And it is upon the perpetual succession of the Acts affecting banking in England, that you base your belief that Scotch banks of issue and other banks outside of England are not permitted to open branches either in London or in England?—Yes; my view of it is that the whole forms a connected system and that it applies to England, and not to places outside of England. I think, however, I may qualify that by one remark; that if I am wrong in that and if Scotch banks are allowed to come into England under any of the interpretations which have been given, I think that they then could not come within 65 miles of London. That is a completely distinct proposition; I think if you look at the Act of 1826 and at the Act of 1833, you will perceive that even if a Scotch bank could come to England it could not come to London for the reason assigned by Sir Henry Thring in his Memorandum, namely, that if it did it would diminish the privileges which the Bank of England previously possessed.

Chairman.

392. You understand, of course, that an inquiry before a Select Committee of one of the Houses of Parliament is very different from an inquiry in a court of law, and that the object of the inquiry is not merely to ascertain whether this or the other is the true construction of particular Acts of Parliament; but what is the general position of our legislation, and how far that legislation carries out what may be presumed to be the intentions of Parliament?—That I quite understand; and I have attempted, I hope, in what I have stated, to give some reason of a rather more general character than the mere examination of a word here and a word there, which have led me to the view which I have taken.

393. The debates which took place in the Houses of Parliament at the time of the passing of the Acts, though they would not govern the construction of an Act, may be taken, may they not, as throwing some light both upon the state of things at the time the Acts were passed, and upon the motives which may have led to their being passed?—To a Legislative Assembly I have not the slightest doubt that they would be extremely valuable for that purpose.

394. With reference to the question of the honourable baronet the Member for Maidstone, as to whether Mr. Hudson Gurney was a member of the legal profession, I would ask you whether you consider that the Lord Chancellor of 1826 was a member of the legal profession?—I suppose he was.

395. When I find that the Lord Chancellor made a statement very similar to that of Mr. Hudson Gurney, and said that "he confessed that there would be a difficulty in legislating for the intermediate places between Yorkshire and the Border, as the notes being Scotch it would be in their nature to travel south"; that may be taken, may it not, as throwing some light upon the other statement?—I have no doubt that it would.

Mr. JAMES SIMPSON FLEMING, called in; and further Examined.

Mr. *J. S. Fleming.*

29 April 1875.

Chairman.

396. I THINK you wish to add something to the evidence you gave on the last meeting of the Committee?—I wish to offer a few words of explanation, first of all, with reference to Question No. 10. The answer given to that question rather points to a limitation of the united action of the Scotch banks. I think it is sufficiently explained by Answer 51. Mr. Goschen asked, "The Chairman asked you some questions with regard to the united action of the banks; do you have united action as regards commissions for banking transactions?" and my answer was, "Yes; as regards every description of charge we have united action." That is really what I meant to represent to the Committee: that we have, with regard to all matters of banking charges in Scotland, united action. The first question leaves that somewhat in doubt The next point has reference to a question put by Mr. Anderson. Mr. Anderson referred to an Act passed in 1846, of which I had no recollection at the moment. On looking into the matter I find that the Act of 1846, 9 & 10 Vict. c. 75, was repealed by the Companies Act of 1862, 25 & 26 Vict. c. 89. The third point with reference to which I wished to make a remark was with regard to the Act of 1826. A considerable portion of my examination had reference to the proviso to which I think Sir John Lubbock called attention and it was dealt with throughout the examination as really an enacting clause. If the Committee will be kind enough to refer to the Act itself, as quoted in Sir Henry Thring's Memorandum, it

Chairman—continued.

will be found that in the recital the clause appears thus: "Provided that such body politic or corporate, or persons united in covenants or partnerships exceeding the number of six persons in co-partnership shall have the whole of their banking establishments and carry on their business as bankers at any place or places in England exceeding the distance of 65 miles from London." My attention had not been specially called to the preamble of the Act; and, on looking at it since, I found that the clause which was made the subject of my examination was really a part of the recital of the Act, and that the enacting clause is in totally different terms. The enacting clause is in these words: "Provided always, that such corporations or persons carrying on such trade or business of bankers in co-partnership shall not have any house of business or establishment as bankers in London, or at any place or places not exceeding the distance of 65 miles from London." I submit to the Committee that that enacting proviso bears out the interpretation of the Act which, in the course of my evidence, I ventured to submit was its true interpretation. I think those are the only remarks that I wish to make as explanatory of the evidence which I have given.

Mr. *Beckett Denison.*

397. Would that equally comprise your view as to banks of issue and banks of deposit?—Banks of issue and non-issuing banks alike, if they do not issue in England, if I quite follow the scope of your question.

Sir HENRY THRING, called in; and Examined.

Sir *H. Thring.*

Chairman.

398. YOUR attention was called, I believe, by the Government last year to the question of the privileges of and restrictions upon banks of issue, especially with reference to the question of the legality of the Scotch banks doing business in England?—Yes.

399. And you wrote a Memorandum which has been laid before the Committee?—Yes.

400. You have heard the evidence given by Mr. Fitzjames Stephen, and you have also, I think, read the evidence given by Mr. Fleming at the first meeting of the Committee?—I have.

401. May I ask you to state very briefly to the Committee what your general view is as to the state of the law?—I do not deny that my mind has fluctuated upon the subject, but I adhere to the conclusions which I have expressed in my Memorandum, and I do so upon these grounds; I think the whole current of the legislation which I have detailed in the Memorandum shows, on the whole, that it was clearly the intention to exclude joint stock banks of issue from coming within the 65 miles limit. I do not deny at all that there is a difficulty (and I was very much impressed by what the Chairman said) as to what the earlier prohibitions exactly mean, but looking at the Act of 1826, and looking at the whole current of the legislation, I think I am right in

Chairman—continued.

saying that the Scotch banks, being joint stock banks of issue, cannot establish branches in London, or within 65 miles of London. Beyond the 65 miles limit, I am not certain that I agree with Mr. Fitzjames Stephen, although, no doubt, if the preamble of the Act of 1826 is to be taken as an enunciation of the law he would be right. I rather agree with one of the honourable Members of the Committee who suggested that the preamble was not repeated in its full force in the enacting part of the clause, and therefore, on the whole, I adhere to the conclusion which I formed, that the Scotch banks can come into Northumberland, but that they cannot open their branches in London, or within 65 miles of London.

402. Would you apply that not only to the Scotch and Irish banks, but to foreign banks also?—I think it must apply to all if they are joint stock banks of issue. It seems to me to be perfectly clear that, supposing that it had been drawn to the attention of the Legislature in 1826 that the Scotch and Irish banks were likely to come into England, they would have prohibited the Scotch and Irish banks; whether they would have prohibited the foreign banks I cannot say, but I think the foreign banks must follow the same rule. It is a very difficult question, no doubt.

403. Mr.

Mr. *Beckett Denison.*

403. Mr. Fleming has read to the Committee in his last examination the following enacting clause of the Act of 1826: "Provided always that such corporations or persons carrying on such trade or business of bankers in co-partnership shall not have any house of business or establishment as bankers in London, or at any place or places not exceeding the distance of 65 miles from London." The marginal note to that is: "In what cases and under what circumstances and conditions co-partnerships of more than six in number may carry on business as bankers in England." It is contended by Mr. Fleming, that because under that Act English joint stock banks cannot have places of business in London, therefore Scotch banks may come into England outside the 65 miles circle. Do you think it reasonable to contend, that because this particular section of the Act of 1826 permits joint stock banks in England outside the 65 miles circle, it should be construed to extend to Scotch banks coming to England also without that 65 miles circle?—I do not quite understand the form in which the question is put. The Act of 1826 says that joint stock banks of issue may be formed provided that they have not any house of business or establishment as bankers in London. Therefore I consider that a Scotch bank of issue may not have a branch in London.

404. The Act says that any joint stock bank may carry on business in England, provided it does not come within the 65 miles radius?—That was a question upon which I said I did not quite agree with Mr. Fitzjames Stephen. The preamble says: "Provided they shall have the whole of their banking establishments in England." A Scotch bank has not the whole of its banking establishments in England; therefore Mr. Fitzjames Stephen says that a Scotch bank of issue cannot come into England at all. That being in the preamble, and not in the enacting clause, I rather disagree with Mr. Fitzjames Stephen; and I think that they may come beyond the 65 miles radius, but not within it. However, I am not at all satisfied about it.

Mr. *Anderson.*

405. Does that mean whether they bring their issue with them or not?—Of course they do not bring their issue in one sense.

406. Supposing that they leave their issue behind them in Scotland, are they still prohibited from coming into England?—What I understand is this; all Scotch banks are banks of issue. I consider that was originally a general prohibition against banks of issue being set up in England at all if they were joint stock banks. Then the question is whether that prohibition is sufficiently relaxed by the Act of 1826. I think it is relaxed to this extent: that they cannot have a branch in London or within the 65 miles limit, but they may have a branch beyond. On the other hand, Mr. Fitzjames Stephen goes still further; he thinks that a Scotch bank cannot have a branch in England at all, because the preamble states that the banks in respect of which the relaxation is made must have the whole of their banking establishments in England.

406*. Then you do not draw any distinction between their leaving their issue behind them or not. In your "general conclusion" you say that there is no prohibition against the Clydesdale Banking Company establishing their branches in Cumberland, but there is a prohibition against the Clydesdale Banking Company issuing its notes in Cumberland; therefore there is a clear distinction in that case, is there not, between a bank establishing itself and bringing its issue with it?—My Memorandum is simply addressed to the question of their establishing branches. I will answer any question about their notes that I can, but a bank of issue never brings, in that sense, its issue with it. There is a distinct prohibition, I believe, against it.

Mr. *Anderson*—continued.

407. But you say that they are allowed to establish their branches in England?—Branches of deposit, as I understand.

408. We know that they are not allowed to issue their notes, and you say that they are not allowed to establish their branches in London, or within the 65 miles; are they not allowed to do so, even supposing that they refrain from issuing notes?—A Scotch bank is a bank of issue. I am aware that it cannot issue its notes in England; but it is nevertheless a bank of issue in its character. Then it seems to me that, being a joint stock bank of issue in its character, the Act of Parliament applies in the same way as it does to the English provincial joint stock banks of issue. The Act says that they shall not have a branch in London without giving up their issue, and I think that applies to the Scotch banks.

Chairman.

409. But supposing that you had a Scotch joint stock bank which was not a bank of issue, do you think that could come to London?—I am not aware that there is any prohibition.

Mr. *Anderson.*

410. Is it not the case that a Scotch bank is not a bank of issue as regards England, since it cannot issue in England?—That is a very fair argument for the Scotch banks to advance. I think, on the whole, that it is a bank of issue for every purpose; but I am perfectly aware that you might argue the other way, and say that it was not.

Mr. *Orr Ewing.*

411. In what consisted the Bank of England's exclusive privileges before the Act of 1826?—It is an exceedingly difficult question to answer. I have set out the material clauses, and I can only read them to you.

412. You are not prepared to give an answer upon that point?—No, not beyond what I have stated in my Memorandum. Beyond that my answer would be of no value at all.

413. Are you able to state what alterations were made therein by the Acts of 1826 and 1833 respectively?—I have stated them completely in my Memorandum to the best of my ability.

414. What led you to pay particular attention to the Banking Acts?—I am constantly asked by the Government, as the Chancellor of the Exchequer or Mr. Goschen will tell you, to report upon certain questions, for the assistance of the Government, although it is not exactly or technically my business. In this case I was asked to report on the Banking Acts.

Mr. *Anderson.*

415. Then was this Memorandum made for the assistance of the Government?—Yes. I may say that my Memorandum contains my unbiassed opinion;

Sir *H. Thring.*

29 April 1875.

Mr. *Anderson*—continued.

opinion; it may be a very bad one, but my only object was to assist the Government, though it was not technically my business.

Mr. *Orr Ewing.*

416. If the Clydesdale Bank is entitled in your opinion to come to the provinces of England, but not to London, and if this right is dependent upon the Acts of 1826 and 1833, or either of them, in what respect is the right of the Bank of Scotland to be in London different from the right of the Clydesdale Bank to be in the provinces?—I rely upon that particular clause, that they may come, "provided that such corporations or persons carrying on such trade or business of bankers in co-partnership shall not have any house of business or establishment as bankers in London, or at any place or places not exceeding the distance of 65 miles from London."

417. Does not the clause refer to banks of issue in England?—I do not think it refers to them alone; but it is perfectly arguable the other way. I have stated in my Memorandum that I think it applies to the banks in Scotland.

418. Though they are not mentioned?—I think it is a general prohibition.

419. Does it not specially refer to banks of issue in England?—I do not think it does.

420. Does it not say, "carrying on the business of bankers at any place or places in England"?—There is the general enactment of 1697 (which is stated in my Memorandum) prohibiting all banks whatever except the Bank of England; that enactment is no doubt excessively difficult to construe, and is repeated, in other forms equally difficult to construe, till we come down to the Act of 1826. Some Members of the Committee think that there was no prohibition applicable to Scotch joint stock banks of issue before the Act of 1826. I think it may be very doubtful; but, looking at the whole current of legislation, I think the Act of 1826 explains the preceding legislation, and says in effect (proceeding on the assumption that the preceding prohibitions apply to Scotch banks of issue) that those banks may come to England, provided that they do not have branches in London, or within 65 miles of London. The question, as I understand it, is this: Can Scotch banks of issue have branches in London? I think, on the whole, they cannot. Then the question is, Why? Because, looking at the whole current of legislation which I have set out, so that honourable Members of the Committee can judge really quite as well as I can, whether I am right or wrong, I think it applies to Scotch banks, and that being joint stock banks of issue they are prohibited from having branches in London.

Sir *J. Lubbock.*

421. I think this clause is a relaxing clause, and therefore if the honourable Member's argument is correct, that because it mentions banks in England it does not apply to banks in Scotland, then the Scotch banks clearly could not take advantage of the relaxation?—Of course not; they would be under the preceding prohibition.

422. If they take advantage of the relaxation they must come under the conditions; and if they do not come under the conditions they cannot take advantage of the relaxation?—That is my view of the case, but it is open to argument.

Sir *J. Lubbock*—continued.

Mr. *Campbell-Bannerman.*

423. Do you agree with Mr. Fitzjames Stephen's opinion that the prohibition extends to all banks of issue, wherever the issue may be?—Yes, I think it must be considered to be so. My idea of the legislation is that these cases were never contemplated at all; it was never supposed for a moment that Scotch banks or Irish banks were coming into England, and the Legislature regarded Scotland and Ireland entirely as foreign countries. It is quite clear that in the earlier years there were no such things as banks of deposit at all; then by-and-by banks of deposit sprang up, and the question arose whether the provisions of the Acts of Parliament applied to banks of deposit as well as to banks of issue; and so it has been with this question, as it seems to me. Banks other than English banks have come into England, and the question is whether enactments which at the date of their passing were directed only against English banks apply also to banks domiciled in other countries which have since come into England. My technical answer would be, that I think the enactments in question extend to all banks which have issues; in Japan or wherever it may be.

424. Do you not think that a good deal turns upon whether the issues which the bank makes are in diminution of, and in competition with those of the Bank of England, or not?—It is a question of construction.

425. Was not the reason for imposing restrictions upon banks of issue a desire to protect for public purposes the rights of issue of the Bank of England, and therefore where you find a bank, whose issue is in Japan, or in Amsterdam, or in Scotland (which for this purpose is a foreign country), is not that a different case altogether from a bank whose issues are in England, and are in direct competition with the Bank of England?—Yes; and I assume that the Bank of England would not care for a bank whose issues did not compete with its own, and would care for a bank whose issues did compete with its own; but still the words appear to me to cover both descriptions of banks.

426. Do you not think that the legislation was directed against banks whose issues competed with the issues of the Bank of England?—The legislation, no doubt, from beginning to end was to protect the monopoly of the Bank of England. The Act says that the bank was content to relax that monopoly to a certain point, and then the question is what that relaxation means; but there is no doubt that the whole of the legislation was intended to protect the monopoly of the Bank of England.

Mr. *Orr Ewing.*

427. And its issues?—I suppose so.

Mr. *Campbell-Bannerman.*

428. The issues of the Scotch banks do not clash with the issues of the Bank of England at all, do they?—I cannot tell whether that be so or not, but it seems to me that the Scotch banks of issue are covered by the words, though it might not be the intention to cover them.

429. But we may construe the words in the light of what is obviously the intention, and the intention

Mr. *Campbell-Bannerman*—continued.

intention being to protect the privileges of the Bank of England, surely where issues have nothing to do with those privileges at all, they are as much beside the question as whether the bank has its head quarters in a stone house or in a brick house?—I am sorry to say if you go to the question of intention, I should give the strongest possible opinion the other way; for it seems to me perfectly incredible that Parliament, if it had its attention directed to it, should have intended that a bank of issue in Somersetshire should be prohibited from having a branch in London, and that a Scotch bank of issue should be allowed to have a branch in London. It seems to me that if that is the intention, it is a hundred to one against you.

430. That is entirely a separate ground; it appears to me that there are two grounds urged against the Scotch banks coming to London; one is, that they are Banks of Issue irrespectively of the place where the issue is made, and the mere fact of their being banks of issue is enough to prohibit it. That I understand to be the ground of Mr. Fitzjames Stephen. Then, again, it is said that their right of issuing in Scotland is a privilege granted to them by the Government of this country and that, strengthened by that privilege, they come here and compete with others. That is the ground I think that you rather take now?—I take this ground. I have to construe a certain set of Acts of Parliament, and I construe them as well as I can, taking all the circumstances into view which I think ought to be taken. The origin of the legislation is clearly the desire to protect the monopoly of the Bank of England. Out of that there obviously branched, for some reason or other, a prohibition against country banks having branches in London. Out of that I think that there also branched words that cover banks of issue in Scotland. It does not seem to me that the question of the monopoly interferes. I cannot say whether or not the prohibition of country banks of issue having branches in London was because the Bank of England was afraid of the issue. I should suppose that it was because they were afraid of the country banks conducting a large London business.

431. Are you aware that the Bank of England has never made any complaint of the Scotch banks coming to London?—I know nothing whatever about it; I have simply read through the Acts and endeavoured to represent as well as I could to the Government what I thought was the law.

432. Do you draw any distinction between the Scotch banks and the Irish banks which have come to London and the colonial banks which are banks of issue?—So far as I know, none. I have not looked into the matter as regarded any of the other banks, simply because I had not time.

433. Does the same objection which you think applies to the Scotch banks apply to the colonial banks and foreign banks?—Yes, I think it must apply to all if they are joint stock banks of issue.

434. So that it rests upon the fact of their issuing?—I think so; it appears to me that that must be the interpretation. I think it is well covered by the words; but I admit that any other person is entitled to a different opinion.

435. Do you know anything of the circumstances of the passing of the Royal Bank of Scotland Act in 1873?—Nothing, except what everybody knows.

436. You do not know who was consulted about it?—I was not consulted, and I had nothing on earth to do with it.

Mr. *Norwood.*

437. I understand you to say that you do not consider the fact of the absolute prohibition of the circulation of Scotch notes to affect the questions which have just been addressed to you by the honourable Member for Stirling; we have had it in evidence that the law absolutely prevented the circulating of, or dealing in, or exchange in England of a Scotch note under 5*l.*, and you think that that fact does not place the Scotch banks in a different position from the English banks of issue?—I do not, with respect to the words.

438. You confine yourself then not at all to the general policy of the Acts which you have already said appears to you to be to prevent the competition with the Bank of England issue of the private banks' issue; but you are now giving us your impression of the verbal reading of those Acts?—I take the Acts as I usually do; it is not possible to separate policy altogether from the words, because the words in a certain degree show the policy. If I find words that over-ride the policy, I construe those words as best I can.

439. The notes of the English banks are current in England so far as they are popular with the people of England; but the issue of Scotch banks is illegal in England, and therefore the competition which might ensue between the issue of the English banks and the issue of the Bank of England, could not ensue in the case of the Scotch banks; is not that so?—I do not see that that affects the question.

Mr. *Mundella.*

440. I want to ask you substantially the same question which I asked Mr. Fitzjames Stephen, which is this: Do you agree with him, as the sum of your evidence, that no bank having a note issue in Ireland, Scotland, the colonies, or elsewhere, can legally transact banking business in London?—I think they cannot have any house of business or establishment as bankers in London or any place or places not exceeding a distance of 65 miles from London, if they are joint stock banks of issue.

441. Do you agree with him also that it is illegal to cash any note under 5*l.*?—I know nothing about that.

442. You consider that it is illegal for any foreign bank (and for this purpose, Ireland, Scotland, and the colonies are foreign countries) to transact business in London, having note issues in their own localities?—I do not think it is illegal for them to transact business; they are not to have a house of business or establishment as bankers, which I should think is different; I suppose they may have agencies.

443. If any banks in Ireland, Scotland, or the colonies having a note issue, establish a banking business in London, it would be illegal, would it not?—It would.

444. Then if that is the case, is it necessary to introduce a further Act of Parliament to make it illegal?—I should think exactly the contrary; because the real truth is that there is so much

Sir *H. Thring.*

29 April 1875.

Mr. *Mundella*—continued.

doubt about it, that I should, if I were advising the Government, do exactly what was done with respect to banks of deposit in 1833; I should clear up the question in one way or other by an Act of Parliament.

445. You think that there is so much doubt about it that it is necessary that there should be an Act of Parliament?—Certainly. I began by stating that my own opinion was in favour of the Scotch banks being excluded from coming to London; but there is the greatest possible difficulty with respect to the question, in my judgment.

Mr. *William Shaw.*

446. I think you stated to the Committee that the Act of 1833 cleared up something very distinctly: what did it clear up?—I have not mentioned the Act of 1833.

447. I thought you said, in answer to the honourable Member for Sheffield, that we ought to do now as was done in 1833?—There is a clause in the Act of 1833 which declares that banks of deposit may be established; that clause was obviously intended to clear up doubts, because the Attorney General and Solicitor General, or some other great people, had said that there was a doubt.

448. Then, according to your notion, there is a great deal of illegality about the present state of banking in London?—Certainly, so far as I have stated.

449. Have you read the speech of the Chancellor of the Exchequer in introducing the Act of 1833?—I have not.

450. Are you aware that he stated distinctly there that his only object was to prevent competition with the Bank of England?—I think it is very possible.

451. But Scotch and Irish banks do not compete with the Bank of England, do they?—That is quite possible, but that is one of the questions I cannot answer.

Mr. *Leveson Gower.*

452. You think it desirable to introduce an Act because the law is doubtful; would it not be best to find out first whether the law is doubtful or not?—I do not quite see how you would find it out; besides, then you might do great injustice. So far as I can judge, the whole question is in a state of great difficulty; it is impossible to say what is the law; I would say, with great humility, that it would be very difficult to say what ought to be the law, but I should certainly legislate upon the question; I think both the policy and the law are altogether doubtful.

Mr. *Backhouse.*

453. The words of the Act of 1828 (9 Geo. 4, c. 65), are that if any corporation or person, "by any art, device, or means whatsoever, publish, utter, negotiate, or transfer in any part of England any promissory or other note, draft, engagement, or undertaking in writing, made payable on demand to the bearer thereof, and being negotiable or transferable, for the payment of any sum of money less than 5*l.*" he or they shall be subject to a penalty of 20*l.*; what do you understand that to refer to?—I should say that that meant simply transferring between different people, and did not mean simply the changing of a note, but that it was intended to stop the circulation of those notes in England.

Mr. *Backhouse*—continued.

454. Has your attention been drawn to clause 4, of the Act of George the Fourth, the Act of 1826, with regard to two or more persons being members of a banking corporation, resident in England, being the registered officers under the Act?—It has not.

455. Does not that rather confirm the preamble with regard to the Act being confined to persons having their banking establishments in England?—Yes; I think it is in favour of it.

Mr. *Hussey Vivian.*

456. Mr. Fitzjames Stephen based his opinion that the Act of 1826 was confined to England, first, on the fact that the title of the Act is "for the better regulating of co-partnerships in England," has your attention been drawn to that particular point?—No; but surely that would not confine it to England, except in the sense that it prohibited other companies from coming into England.

457. I understand that you are of opinion that under the Act of 1826, any joint stock bank, wherever it may be, may establish a branch outside the 65 miles radius?—That is my opinion; but I am bound to say, as I replied to another honourable Member, that Mr. Fitzjames Stephen is against me, and no doubt that particular clause which he quoted, is rather in favour of the extension.

458. The recital of that Act is not contained in the notes which you gave to the Committee; may I ask whether your opinion is in any way modified by reference to the title of that Act, which is "an Act for the better regulating of co-partnerships of certain bankers in England"?—I think that it is in favour of Mr. Fitzjames Stephen's opinion as against mine.

459. In the fourth section of that Act, I think you will find that registration is required of such co-partnerships in London?—I think that again, as I replied to an honourable Member of the Committee, is in favour of Mr. Fitzjames Stephen's opinion.

460. Then you will find that there is a provision in the first section: "That every member of any such corporation or co-partnership shall be liable to and responsible for the due payment of all bills and notes which shall be issued, and for all sums of money which shall be borrowed, owed, or taken up by the corporation or co-partnership of which such person shall be a member," that makes every one who constitutes that joint stock company liable for the whole of its debts, does it not?—Certainly.

461. Then supposing that the persons who constituted that joint stock company were out of this country, and were at a great distance, say in China, it would be exceedingly difficult to establish their liability in England, would it not, and to recover against them?—True.

462. The manifest intention of the Act was to secure the payment of any notes which the corporation might issue, was it not?—Yes, I presume that the intention of putting in that clause was to prevent limited liability banking companies coming into England.

463. Or foreign banking companies in which the partners would not be accessible or amenable to the English law?—Yes. I fancy the meaning of it is this: at that time there were no limited liability companies allowed in England except the Bank of England, and therefore it is,

in

Mr. *Hussey Vivian*—continued.

in fact, a prohibition against a limited liability company coming into England.

464. I understood that the opinion which you first expressed was that joint stock companies, wherever they might be domiciled or located, had the right under the Act of 1826 of establishing branches outside the 65 mile radius?—Yes, I said I rather thought they had.

465. But in the first place that Act is an Act for regulating co-partnerships in England; secondly, it is required that those co-partnerships shall be registered in London; and, thirdly, it is provided that each partner in those co-partnerships shall be individually liable. I want to know how you think that those provisions are consistent with the domicile of the company being in any remote portion of the world?—My opinion is certainly shaken as to the part of England beyond the 65 miles radius.

466. It seems to me that this Act is distinctly an Act for England, and I wished to have my mind cleared as to the inference which may be drawn from the various provisions which I have now cited; do they not show that it is an Act limited to the regulation of co-partnerships in England?—So far as I understand, with respect to the 65 mile limit, that is so, but I also think that there is a great deal to be said for Mr. Fitzjames Stephen's opinion that they cannot come at all.

467. What I want to ask is, whether the whole scope and provisions of that Act do not point to its being an Act to regulate, as it states in the preamble, co-partnerships in England?—Certainly. Supposing that you made a monopoly with respect to London, then of course you would affect all the rest of England, and not London only. If you create a monopoly or *quasi* monopoly with respect to England, you surely affect every other country; you do not confine it to England in that sense.

468. Parliament, as it appears to me, was extremely cautious when it gave this great power and opened the door to joint stock banks, in providing that the parties who accepted the notes of any such joint stock bank should really hold a valid security, or otherwise there is no meaning in that proviso which I have read?—No doubt tendency to exclude other people.

469. It is clear, is it not, that the intention of that provisio was that there should be a substantial backbone to the note that was issued?—Yes, I think so.

470. Then assuming that this Act enabled a joint stock banking company, from any part of the world, to open a branch in England and to issue notes, surely this proviso would be inconsistent with that?—No doubt it strengthens the argument of Mr. Fitzjames Stephen in favour of a more enlarged version of the Acts.

471. You have three points; you have first of all the title of the Act that it is to regulate co-partnerships in England; next that those co-partnerships must be registered in London; and thirdly that each individual constituting those co-partnerships is liable for the whole of the debts of the co-partnership. It seems to me that all those things are inconsistent with the possibility of that Act including co-partnerships outside of England?—I do not think they are inconsistent with the possibility of it, but I perfectly admit that they are in favour of Mr. Fitzjames Stephen's more enlarged interpretation of the Act, and against a more limited interpretation.

Mr. *Hussey Vivian.*—continued.

Mr. *Orr Ewing.*

472. Supposing that a Scotch incorporated company had a right to come to England, and that they incorporated themselves under this Act, would they not be as much under this Act as an incorporation of Englishmen?—If a Scotch company gets an English incorporation, it becomes an English company.

473. And therefore if they were entitled to come here and were incorporated, this Act would apply to them as much as to Englishmen, would it not?—A company may be composed of Scotchmen and yet be an English company. If it is registered in England it is an English company and not a Scotch company at all.

474. And therefore the argument of the honourable Member is not applicable; it only rendered it necessary for any company transacting banking business to be incorporated under this Act?—I understood the honourable Member to ask me with respect to a company domiciled outside of England. A company may be domiciled in England and not consist of Englishmen.

475. But I suppose that if a company came to England and were incorporated under this Act, their domicile would be England?—A company cannot come in its corporate capacity.

476. Supposing that a bank came from Australia, and was incorporated under this Act, and had its domicile in England, for the purposes of this Act, would not its domicile be England?—If it be possible for an Australian company to get rid of its Australian character, and be domiciled in England, it follows of course that it is an English company; but I am not aware of any method by which it can be done.

Mr. *Backhouse.*

477. Will you tell me whether an action would lie in England against a Scotch bank as at present constituted, if it were not registered under the English Acts, or whether the action would have to be brought in Scotland?—Supposing that a Scotch bank has a legal branch in London, I believe you may bring an action against it in England; but my opinion is not worth anything upon the subject, unless I had time to get it up.

Mr. *Beckett Denison.*

478. You remember, of course, that the Act of 1826, c. 46, and the Scotch Act of 1826, c. 67, received the Royal assent on the same date; do you think it at all probable that with two Acts before Parliament at one and the same time, one of them referring specially to Scotch banks, any point in their position as regards their powers in England would have been left doubtful at that time?—I think that the currents of Scotch and English legislation on these matters have run entirely separately.

Sir *John Lubbock.*

479. The co-existence of those two Acts is an additional argument in favour of the view of the honourable Member for Glamorganshire, is it not?—I think that the whole of banking legislation has always practically considered Scotland, and Ireland, and England as separate countries.

Sir *H. Thring.*

29 April 1875.

Sir *John Lubbock*—continued.

480. The original object of the Acts was, I think, to protect the monopoly of the Bank of England as regards banking as well as regards issue, was it not?—I suppose it was; but I cannot make out (and I have heard no explanation of it, having listened very attentively) the meaning of the enactment that no corporation, society, fellowship, or company in the nature of a bank shall be erected or established. So far as I could make out when I went into the question, banking operations at the period of the monopoly of the Bank of England consisted simply in issuing notes and the business connected with the issue of notes.

481. The general policy of the Act of 1844 was, I think, to prevent any extension of the private bank-note circulation in England?—I suppose so.

482. As the establishment of branches of Scotch banks in England would lead to a circulation of Scotch bank notes in England, such establishment would surely be contrary to the proviso of the Act of 1844, would it not?—No doubt.

Mr. *Anderson.*

483. Does not the latter part of the third section of the Act of 1833 allow any joint stock banks to do business in London, provided it refrains from issuing notes?—That is an argument which certainly has great force, but in my judgment it is overruled, in this way: if you read the beginning of Clause 3, it says, "And whereas the intention of this Act is, that the Governor and Company of the Bank of England should, during the period stated in this Act (subject nevertheless to such redemption as is described in this Act), continue to hold and enjoy all the exclusive privileges of banking given by the said recited Act of the 39th and 40th years of the reign of his Majesty King George the Third aforesaid, as regulated by the said recited Act of the seventh year of his late Majesty King George the Fourth, or any prior or subsequent Act or Acts of Parliament;" you must construe these most obscure Acts in some fashion or other; and if you coustrued the words "in England," as authorising the Scotch banks of issue to have branches in London, which I perfectly admit is, at first sight, arguable, then you entirely annihilate the effect of the earlier part of the section, in which it says that all those privileges have been continued, but it is perfectly arguable, as you argue it, and, in fact, that has been pressed upon me very much by a most eminent member of the Government, and I added a note upon the point to my Memorandum.

Mr. *Anderson*—continued.

Monday, 3rd May 1875.

MEMBERS PRESENT:

Mr. Anderson.
Mr. Backhouse.
Mr. Campbell-Bannerman.
Mr. Chancellor of the Exchequer.
Mr. Beckett Denison.
Mr. Orr Ewing.
Mr. Goschen.
Mr. Hubbard.
Mr. Kavanagh.
Mr. Sampson Lloyd.
Sir John Lubbock.
Sir Graham Montgomery.
Mr. Mulholland.
Mr. Mundella.
Mr. William Shaw.
Mr. Torr.
Mr. Hussey Vivian.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. WILLIAM TATHAM, called in; and Examined.

Mr. *Tatham.*

3 May 1875

Mr. *Mundella.*

484. YOUR firm are Solicitors to the National Bank, are they not?—Yes.

485. How long have you been so?—Above 40 years.

486. Have you been their solicitors from the first foundation of the bank?—Yes; in fact, I aided in the formation of the company.

487. When was the National Bank founded?—It was promoted in 1834; its articles are dated January 1835.

488. For what purpose was it formed?—It was formed for the purpose of carrying on banking in all its branches in any part of the United Kingdom, either England, Scotland, or Ireland, or the Islands of Jersey or Guernsey, or the Isle of Man, to such extent as the laws might from time to time enable us.

489. It was mainly intended, I presume, to conduct business in Ireland?—That was the original idea, but before we settled our articles the ideas expanded and took the form which I have stated.

490. It originally commenced business in Ireland, in what year?—In 1835; in fact, immediately.

491. With a head office in Dublin, I suppose?—It must not be styled exactly a head office.

492. A branch in Dublin?—It can only at that time be considered an office for agency, because the Act of Parliament of 6 Geo. 4, c. 42, which enabled them to carry on banking in Ireland as a bank of issue at a distance of 50 miles from Dublin, contained an express restriction against their having a house of business in Dublin; therefore they had no house of business as bankers in Dublin at that time; they merely had an agency house, the same as in England. There was a similar restriction in England under the Act of seventh George the Fourth against banks established under that Act having a house of business in London or within 65 miles therefrom, but the National Bank has never carried on business under that Act.

493. But they had an agency house in London from the first, had they not?—Always.

Mr. *Mundella*—continued.

494. And the Board of Directors sat in London, did they not?—Always.

495. And the business was conducted from London?—It was superintended from London.

496. They had 50 or 60 branches in Ireland, had they not?—Yes, and they have a large issue there.

497. At what period did they first establish a banking business in London?—In the year 1854.

498. When they proposed to commence business in London, did the Bank of England and the Clearing-house object to their doing so?—Yes, the Bank of England did.

499. On what grounds did the Bank of England object?—I suspect that the principal ground upon which they went was the Statute of 7 & 8 Vict. c. 113, which restricted the introduction of any new banks in London which had not been established for that purpose previously to a certain date, which was, I think, May 1844, and they said that we were not so established, but I ultimately satisfied them that we were, and got over that difficulty. Of course the fact of our being a bank of issue was notorious, and they well knew that we were a bank of issue in Ireland; but we were not a bank of issue in England, and therefore they could not object to us on that score.

500. Did they consult counsel upon it?—Yes.

501. Did you consult counsel upon the question?—Yes.

502. What counsel did you consult?—Sir Richard Bethell (who was afterwards Lord Westbury), Mr. Wordsworth, and Mr. Welch as a pleader.

503. They were all men eminent in their day on commercial law, were they not?—Yes.

504. Have you the original case put to them and their answers?—Yes, it was dated May 1853. The first question which was put was this: "Whether the National Bank of Ireland under the provisions of their present deed of settlement and as at present constituted, are legally at liberty to establish a bank or banks in London,

Mr. *Tatham.*

3 May 1875.

Mr. *Mundella*—continued.

London, and within 65 miles therefrom, and to avail themselves of the provisions of the 26 sec. of the 7th & 8th Vict. c. 32, and of the 47th sec. of the 7th & 8th Vict. c. 113, or either of those Acts, so long as they do not register under the 7th George 4, c. 46, and so long as they do not infringe the Bank of England charter as modified by those Acts, and whether the establishment of such bank or banks will in any way legally prejudice or affect their position and present operations as bankers in Ireland under the 6th George 4, c. 42." The replies of Sir Richard Bethell and Mr. Charles Wordsworth to the first question were as follows: "We have referred to the company's deed of settlement, and are of opinion that it is within their powers to carry on the proposed banking business in London, and within 65 miles of it, and that their so doing will not affect their position as bankers in Ireland under the 6th George 4, c. 42. We have considered the 7th & 8th Vict. c. 113, which enacts that banking companies formed by covenant of copartnership on or after the 6th May 1844, shall be constituted by letters patent, and we are of opinion that the National Bank of Ireland is unaffected by the proviso contained in the first section of that statute. With respect to section 47 of that Act, which bestows certain privileges in the mode of suing and being sued on banking companies 'established' on the 6th May 1844, for the purpose of carrying on the business of bankers within 65 miles of London, we have entertained a doubt whether the National Bank of Ireland was sufficiently within the statute. It appears to us, however, that the company was fully formed on the day above mentioned. We think that the company at that time had two objects in view, the one to become bankers in England, the other in Ireland, and that although it has suspended carrying into effect the former, and has only hitherto actually carried out the latter object, the company may nevertheless be considered as having been established on the 6th of May 1844, within the meaning of the 47th section. With respect to the 7th & 8th Vict. cap. 32, sec. 26, which removes the prohibition then existing against banking companies drawing and accepting bills, we are of opinion that there is nothing to prevent the National Bank of Ireland from availing themselves of that branch of banking business." Then the second question is as follows: "Whether they could establish such banks as proposed in the first question, and at the same time, or at any time afterwards, on such banks being discontinued, carry on business as bankers beyond 65 miles from London on registering under the Act of 7th Geo. 4, cap. 46." The answer is, "We think it will not be competent to the National Bank of Ireland to establish banks beyond 65 miles of London, at the same time that they carry on business in London and elsewhere within that distance." The third question is this: "Whether in the event of the establishment of such banks as proposed in the first question, the return to be made by the National Bank of Ireland to the Stamp Office in England, would be regulated solely by the 47th sec. of the Act 7 & 8 Vict. cap. 113, or would a return be required under the 21st sec. of 7 & 8 Vict. c. 32." The answer is, "We think the return should be made under the 47th section of the 7th & 8th Vict. cap. 43."

Mr. *Mundella*—continued.

505. Those being the opinions of Sir Richard Bethell and Mr. Wordsworth, the replies of Mr. Welch are of the same tenor, I believe?—Yes; in answer to the first question Mr. Welch says, "I think that the National Bank of Ireland under the provisions of their deed of settlement, and as at present constituted, may legally establish a bank or banks in London, and within 65 miles therefrom, and avail themselves of the provisions of the 26th section of the Statute 7 & 8 Vict. c. 32, and of the 47th section of the Statute 7 & 8 Vict. c. 113, subject to the restrictions imposed by those Acts; and I think that the establishment of such bank or banks will not in any way prejudice or affect the position or operations of the company as bankers in Ireland, under the Statute 6 Geo. 4, c. 32. The 26th section of 7 & 8 Vict. c. 32, applies generally to every company or copartnership carrying on the business of bankers within the distance of 65 miles from London at any time after the passing of the Act; and I think that the object of the 47th section of the 7 & 8 Vict. c. 113, was to extend the provisions of the Statute 7 Geo. 4, c. 46, with respect to the powers of suing and being sued by a public officer to all banking copartnerships not included within the restriction or prohibition contained in the 1st section of the Act. I think that the National Bank of Ireland is not included within that restriction or prohibition, for if the National Bank of Ireland should carry on the trade or business of bankers in England, whether within or beyond 65 miles from London, they would not carry on such trade or business under any agreement or covenant of copartnership made or entered into after the 6th May 1844, but under an agreement or covenant of copartnership made and entered into before that day." The answer to the second question is this: "I think that a registration under the 47th section of the Statute 7 & 8 Vict. c. 113, is by the effect of that statute virtually a registration under the 7th Geo. 4, c. 46, and that there is no difference in the form or effect of the registration, whether it be under the one statute or the other; I think that if the bank were to carry on business in London, or within 65 miles from London, and then discontinue such business, they would still be at liberty to carry on business beyond 65 miles from London, making such new return to the Stamp Office as the change of circumstances would require." The answer to the third question is as follows: "I think that in the event referred to returns must be made by the National Bank of Ireland to the Stamp Office in England under both the Acts of Parliament mentioned, the returns although almost identical in form being made with different objects. The Return required by the 7 & 8 Vict. c. 32, has no reference to the power of suing and being sued by a public officer, and does not contain any mention of public officers."

506. Did you communicate that opinion to the Messrs. Freshfield, the solicitors to the Bank of England?—Yes.

507. Did they also take counsel's opinion upon the question?—They did.

508. What was the result?—They took the opinion of the late Lord Chief Justice Bovill (then Mr. Bovill), and they sent me a copy of a case which they laid before him, and a copy of his opinion. The case was as follows: "The National Bank of Ireland has proposed to open a drawing account

Mr. *Mundella*—continued.

count with the Bank of England. There is no objection on the part of the Bank of England. Indeed an account has been for some years kept at the Bank of England in the names of four gentlemen, which is understood to be for the National Bank, but it is now desired to open the account in the name of the National Bank, and the Bank of England must be satisfied who will have power to draw on such account. The National Bank of Ireland was constituted by a deed of settlement, dated 6th January 1835, a copy of which accompanies this statement. The National Bank of Ireland has its seat in London, but was instituted for the purpose of banking in Ireland, and has numerous branch banks there, and is generally in a flourishing condition. The directors now propose to open an office, and carry on business in London as an English Bank, and it is with this view that the account in question will be opened. The doubt that occurred to us and which we expressed was that though the company clearly takes powers to establish branch banks, and agencies in cities, towns, and places in Great Britain as well as Ireland, it seemed to have been contemplated that the head office in London was to be the centre of a system of management and not an acting banking establishment, and the deed consequently contains no provisions prescribing the mode of carrying on business of such an establishment in London. In consequence of these doubts the solicitor of the National Bank has pointed out the provisions of the deed of settlement relied on in the following letter: 'The clauses to which I would particularly call your attention are the 4th, 5th, 57th, and 125th. The three first of those clauses clearly anticipate that the company will always have a head office in London where the court of directors shall sit, and that they will also, at all times, have a drawing account with some other London bankers, and the same clauses give the directors power from time to time, at their discretion, to remove such bankers and to appoint others in their stead, and thus no special clause expressly authorising such an account would be inserted in the deed, but the extent of the balance from time to time to be left to the company's credit on such drawing account, would be the funds or part of the funds which agreeably to the 77th clause the directors may consider a proper provision for the immediate and current claims upon and expenses of the society. The mode of operating on that account, such as the drawing of cheques, &c., is left to the exercise of the general powers of management and control vested in the court of directors by the 125th clause, which provides that the court of directors shall at all times have the entire management of and control over the affairs and concerns of the society, and that they shall in all cases, not expressly provided for by that deed, act in such manner as shall appear to them best calculated to promote the welfare of the society, and that for their better guidance in such management and superintendence, they may make whatever rules and bye-laws they may think proper, provided they be not repugnant to the fundamental principles and constitution of the society. Thus with reference to the proposed drawing account with the Bank of England a resolution of the court of directors would sanction the opening and continuance of that account, and either another or the same resolution would direct as a bye-law that the cheques drawn against that account shall be signed by any three of a certain larger number of the directors, and be countersigned by the secretary or accountant; the direction as to the signature by three directors, being in analogy or conformity with the provisions in the deed, which require that all investments shall be made in the names of at least three trustees. The 68th clause, to which your report also alludes, is confined, as you observe, to an authority to the directors to make regulations and rules with reference to the signatures of notes, bills, and receipts; and the lending of money at the 'branch banks and agencies,' and the London or head office is not comprehended in those terms. The signing of notes and bills would not, of course, in the present state of the law, be legally, applicable to the London office, but the exclusion of the London office from, or rather its non-inclusion in, any express provision of that nature, so far as the same would be applicable to that office, affords an additional and *à fortiori* argument that the directors themselves, being in attendance at that office, need not there the power of delegation vested in them by the clause to which I have first alluded, but that they can personally, under the general powers and authorities vested in them by the deed, have the entire management of and control over the affairs and concerns of the society, including the power to sign cheques, &c.' We by no means underrate the importance of these observations. The 125th clause has no doubt been prepared by a careful draftsman, desirous by a general provision to give the fullest powers to the directors in all cases contemplated or not contemplated, and the disposition of the courts has been rather to extend in favour of banks the authority by implication which has been denied in case of other joint stock companies. The decision on the powers of the managers of joint stock companies, however, is so conflicting that the Bank of England, not desiring to raise difficulties, still wish for advice whether the powers of the deed enable the directors of the National Bank to open such an account in the name of the National Bank, and to draw cheques upon it in that name. As it is not the practice of the Bank of England to allow accounts to be overdrawn, it is not probable that the Bank of England would become creditors of the National Bank by reason of over-payments. Still even this might happen, and the Bank of England would probably become holders of bills payable to the National Bank, and endorsed by the directors or by persons authorised by them, and the question would be if the Bank of England would be safe in paying monies or cheques drawn by the directors, or by persons appointed by the directors; whether they would have a claim on the shareholders in the Bank if the account were overdrawn, and whether they would be entitled to hold against the National Bank, and if need be to claim against the shareholders in the National Bank upon bills endorsed by the persons appointed by the directors." Then the opinion is, "From the provisions of the deed of settlement of the National Bank of Ireland, it certainly appears probable that they did not originally contemplate having a bank in London, nor is there any recital of the Bank Act of 1833, which authorises the formation of joint stock banks in the metropolis; but at the same time I think

Mr. *Mundella*—continued.

Mr. *Tatham*.

3 May 1875.

Mr. *Tatham.*

3 May 1875.

Mr. *Mundella*—continued.

I think the terms of the deed are sufficient to authorise the National Bank to open a banking establishment in London. If they did not carry on any banking business in England prior to the 6th of May 1844, there might be some question under the 7 & 8 Vict. c. 113, whether they can now do so without a charter or Act of Parliament; but upon the whole, and even in the event last suggested, I am of opinion that they may legally carry on a banking business in London, and open and keep a banking account in their own name with the Bank of England. I am also of opinion that they may, subject to the restriction of the Act of 1833 (3 & 4 Will. 3, c. 98), borrow and take up money, and issue securities; *see* clauses 2 and 125, notwithstanding the 29th clause which seems to provide for the raising of money only by new shares. The mode in which cheques are to be drawn and securities signed, should, I think, be regulated by resolutions of the board of directors, and under secs. 62 and 125, if not under sec. 68, I think the directors possess the requisite powers for this purpose. I think that such resolutions, and the acts done under them, would be binding upon the shareholders of the National Bank, and that the Bank of England would be safe in paying cheques, advancing money, and taking securities in accordance with the resolution of the board of directors of the Bank of Ireland."

509. After receiving that opinion the Bank of England withdrew all objection to the National Bank commencing business in London, did they not?—They did.

510. And the National Bank was admitted to London, and to the Clearing House?—Yes.

511. They were originally called the "National Bank of Ireland," and they dropped the words "of Ireland," and called themselves "The National Bank," when they came to London, did they not?—Yes, under a special power in their articles; and it was also admitted by counsel that the change of name could not affect their right of issue or cause any other inconvenience. For prudence sake we took the opinion of counsel upon that, but there was no doubt about it.

Mr. *William Shaw.*

512. The changing of the name was entirely a question of policy, was it not?—The name was not considered quite consistent for a bank carrying on business in England.

513. You changed the name to make it more acceptable to English people?—Yes.

Mr. *Mundella.*

514. Have you also a copy of the original deed of settlement of the National Bank of Ireland?—Yes (*producing the same*).

Chairman.

515. I am not sure that I clearly understand what were the original head-quarters of the National Bank of Ireland?—The head office was always in London.

516. Then what is the meaning of saying that you had no bank in London?—Because we did not carry on business as bankers. We had only a head office where the directors met to superintend and control the general affairs of the bank in Ireland, or elsewhere, wherever it might carry on business. Previously to the Act of 7 & 8 Vict. c. 32, the Bank of England charter rendered impracticable our carrying on business in London, even although we had not registered as a bank of issue under the 7 Geo. 4, c. 46, for we could not draw, accept, or indorse bills payable at less than six months after date. We could have been a bank of deposit and discount, but no then existing Act gave us the facility of suing and being sued in the name of a public officer in relation to such business in London, and it was not worth carrying on business to that limited extent. The latter difficulty was removed in favour of then existing banks by the Act of 7 & 8 Vict. c. 113.

Chairman—continued.

517. I think you stated that you were restricted from opening in Dublin; where was your chief place of business?—At first they were restricted in Dublin from issuing, but now there is an Act enabling them to do so. The Act of 6 Geo. 4, only enabled them to carry on banking 50 miles from Dublin, on condition of their not having a house of business in Dublin; but a subsequent Act enabled all bankers to issue even in Dublin, and they do issue in Dublin now. I do not know what the privileges of the Bank of Ireland are, but they must be very limited now, I think.

518. Where were you registered?—We were registered only in Dublin at that time. There was an Act for Ireland of the 6 Geo. 4, for establishing joint-stock banks in Ireland, similar to the Act of 7 Geo. 4, which applied to England, for carrying on banks here. Each of those Acts had a direction that there should be a registration at the Stamp Office in the particular country of the names of all the shareholders and the public officers, &c.; but inasmuch as we did not carry on banking in England, we were only registered at that time in Ireland.

519. Then you did not carry on banking in England at all?—Not at all.

520. Nor in Dublin?—No.

521. Where did you carry on banking?—In all parts of Ireland, except within 50 miles of Dublin.

Mr. *William Shaw.*

522. Fifty Irish miles?—Very likely.

Chairman.

523. When was the subsequent Act passed of which you spoke which enabled you to carry on business in Dublin?—It was 8 & 9 Vict. c. 37, s. 1: "So much of the recited Act of Parliament of the 21st and 22nd years of the reign of His Majesty King George the Third as prohibits any body politic or corporate erected or to be erected, other than the Governor of the Bank of Ireland, or for any other persons whatsoever united or to be united in covenants or partnership exceeding the number of six persons, to borrow, owe, or take up any sum or sums of money on their bills or notes payable at demand, or at any less time than six months from the borrowing thereof, shall be and the same is hereby repealed; and that from and after the said 6th day of December 1845 it shall and may be lawful for any persons exceeding six in number united or to be united in societies or partnerships, or for any bodies politic or corporate to transact or carry on the business of bankers in Ireland at Dublin, and at every place within 50 miles thereof, as freely as persons exceeding six in number, united as aforesaid, may lawfully carry on the same business at any place

Chairman—continued.

place in Ireland beyond the distance of 50 miles from Dublin."

524. Previously to the passing of that Act, then, the Bank of Ireland had exclusive privileges in Dublin, similar to those of the Bank of England in London?—Very similar.

525. And there were no other banks established in Dublin?—None; no joint stock bank was allowed or empowered by Act of Parliament.

526. Were other banks established in Ireland besides the National Bank?—Yes; the Provincial Bank was established before, but the object of that was confined to Ireland, and therefore they could not come to England; neither can they now without reconstituting themselves. They are simply an Irish bank.

527. Are they prevented by their own constitution from doing so?—Entirely so.

528. You do not understand then that there would be anything in the general law that would prevent their coming to London or to England if it were not for their own special constitution?—I am not aware of any such prohibition since the repeal of nearly the whole of the Act of 7 & 8 Vict. c. 113.

529. Have you paid attention to the general question of the rights of the Scotch and Irish banks to come to England?—I do not know that I am justified in saying that I have done so, but in a general way I have made some note of it. Of course the Bank of England charter is strictly limited to England, both in the words and in every sense; and, therefore, I never could quite understand what the argument is against the Scotch banks.

530. Are your firm still solicitors to the National Bank?—Yes.

531. Then you would naturally have attended more or less to such a question as this?—Yes; I fancied I knew all the law about banking, but every now and then one has to refresh one's recollection upon any particular point. I should tell you that the Act of 7 & 8 Vict. c. 113, is almost entirely repealed; there is only one section which remains, and that section is the section under which we have the facility of suing and being sued. In fact we carry on banking in London at common law, aided by the statute of 8 & 9 Vict. c. 37, and 7 & 8 Vict. c. 113, s. 47, which is the only unrepealed section. That last Act was entirely repealed by the Companies Act, 1862, except as to section 47, which facilitates our suing and being sued, and which section is re-enacted by that Act. The 7 & 8 Vict. c. 113, had been previously partially repealed by 20 & 21 Vict. c. 49, s. 12, but not so as to affect the National Bank.

Mr. *Goschen.*

532. You carry it on under the common law?—I consider that we do, aided by those two statutes.

Chairman.

533. Under what restrictions do you conceive that the Irish banks are now placed by the general law in Ireland, in England, or in Scotland?—I do not know what restrictions they are under in Ireland.

534. Under what restrictions are they, except the general restrictions as to not issuing more than a certain amount of notes?—They must have four depôts for gold, and they must not exceed their authorised circulation of 852,000 *l.* without having a sovereign to represent every 1 *l.* in notes beyond that sum.

535. How is the amount which they are entitled to have in circulation ascertained?—There was an Act of Parliament which enacted, I think, that no bank should increase their issue beyond the amount that they should have on a certain day; and they were obliged to make returns, and get certificates that on that certain day they had a certain amount of issue. The National Bank at that moment had about 761,757 *l.* of issue, and therefore they retained that; then they also united themselves with two other banks of their own connection, and thereby obtained an increase of 90,512 *l.*; and that makes their total present right of issue 852,269 *l.*, without the legal necessity of their having gold to represent it, but beyond that they must have gold at their depôts to the extent of the surplus issue.

536. If they were now to unite with any other bank in Ireland, having an issue, would they be able to increase their issue by the amount of the issue of that bank?—Yes; there is a special clause in one of the Acts which enables them to unite with other banks.

Mr. *William Shaw.*

537. Did you carry on banking business in Dublin before 1844?—No; but we could I think have carried on banking there much in the same way as the London and Westminster Bank did at one time in London, through the medium of trustees. We could not ostensibly be bankers, because the Act of 6 Geo. 4 restricted us from having a house of business in Dublin as bankers. The consequence was that we could not even open as a bank there.

Chairman.

538. I understand that in the discussion that took place between yourselves and the Bank of England in 1854, your strong point was that you were established in London before 1844?—Not that we were established in London as bankers, but that we were established as a company for that purpose. The words of the Act are these: "More than six persons established on the 6th of May for the purpose of carrying on business as bankers," and I satisfied the Bank of England, as Sir Richard Bethell in his opinion expressed it, that although we were not actually banking, we were established for the purpose of banking, and had only postponed it.

539. Were established, where?—In England. This is the English Act to which I am referring.

540. Then supposing that you had not been established in England you would have been excluded by that Act?—No doubt, because this Act forbade the establishment of any new bank, if it was a joint stock bank, after the 6th May to carry on business except by letters patent, and therefore we could not have opened a bank in London if we had been established after that date. The first section says: "That it shall not be lawful for any company of more than six persons to carry on the trade or business of bankers in England after the passing of this Act, under any agreement, or covenant of co-partnership, made or entered into on or after the 6th day of May last passed,

Mr. *Tatham.*

3 May 1875.

Chairman—continued.

passed, unless by virtue of letters patent to be granted by Her Majesty." Our articles of partnership were, of course, of a much earlier date, and therefore we did not come within that section.

541. Then is it to be understood that that was not with reference to your establishing yourselves in London particularly, but with reference to your carrying on business as bankers at all?—Yes, but it was in London solely that we were contemplating carrying on business. We could not have carried on banking as the law then stood, irrespective of that statute, in London, and at the same time have carried on banking at a distance of 65 miles from London as a bank under the 7 Geo. c. 46.

542. When we speak of the Act of 1844, we are in the habit, in Committees like this, of thinking of Sir Robert Peel's great Bank Charter Act. The Act to which you are referring, however, is not the Bank Charter Act, but is an Act for regulating Joint Stock Banks in England?—Yes; there are two Acts of 1844.

543. If you had not been already established before the 6th of May 1844, could you have established yourselves in London by virtue of the provisions of this Act?—No.

544. What do you mean by "prohibted any future Bank"?—The first section prohibits it.

545. The first section, as I read it, prohibits any company of more than six persons from carrying on the trade or business of bankers in England after the passing of the Act, unless by virtue of letters patent, to be granted by Her Majesty according to the provisions of the Act. Therefore, if they complied with the provisions of this Act, there was nothing to prevent their establishing themselves, was there?—I think there follow the words of qualification as to the date of their articles.

546. They were not to establish themselves under any agreement made or entered into after the 6th of May last passed, unless by virtue of letters patent to be granted under the Act?—Yes; therefore no new bank could have been established after that Act, except by letters patent.

547. But by letters patent it could have been?—No doubt.

548. Then supposing that you had not been established before the 6th of May 1844, would there have been anything in the general law, as you understand it, to have prevented your getting yourselves established in London by letters patent, in conformity with the provisions of this Act?—Of course we had no occasion to consider it, but I apprehend not; we could easily have passed such resolutions as were necessary for the purpose of authorising the directors to obtain such letters patent, if a doubt had existed as to the date and provisions of our articles being sufficient evidence that we were so established.

549. But would there not have been an objection raised by the Bank of England, and could you have surmounted that objection?—I think it is very likely that the Bank of England would have raised an objection.

550. Was the upshot of the controversy between yourselves and the Bank of England this: that if you had not happened to have been established before the 6th of May 1844, you would have been precluded from establishing yourselves under this Act?—The opposition would, if they had so contended, have gone to a greater length, but whether they would have succeeded, is another question.

551. You do not express an opinion upon that?—Your question perhaps assumes that they had not been established until after the passing of this Act.

552. Or had not been established till after 1844?—If they had been established before May 1844 of course they would not have been precluded, but if they had been established afterwards then no doubt they must have come under this Act exclusively, and they would have been under the restriction. They might in the latter supposed case go for a charter; it would apply no more to the National Bank than to any other body of people. The Bank of England could not have opposed the establishing of a bank by charter, I expect, for this Act implies that such grants should be made.

553. I suppose that the Bank of England would object to any bank of issue coming and establishing itself in London if it had the legal power to object?—This Act is not confined to banks of issue; this Act is with reference to all joint stock banks thereafter to be established in England.

554. But do you not recognise a distinction between a bank of issue and a bank not of issue?—Yes; but they were already forbidden from coming to London; no bank of issue in England could have come to London under the Act of 7 Geo. 4; they could not carry on banking and issue except beyond 65 miles from London, and no new bank of issue can now, since 1844, be established.

555. How did the National Bank acquire the privilege of coming to London?—In one sense, under the common law. The question of the extent of their privilege depends upon their freedom from restrictions on the part of the Bank of England. They might establish themselves as discount bankers, or keeping current accounts, provided they did not have a bank 65 miles from London, under the Act of 7 Geo. 4, and there was nothing to prevent any joint stock bank establishing itself in London as a bank of discount and deposit, &c., which did not avail itself of the Act of 7 Geo. 4, and such joint stock banks were enabled under subsequent Acts to accept bills and to sue and be sued.

556. Setting aside, for the present, all this question about issue, and about coming to London, I understand that before the 6th of May 1844, a joint stock bank might have been established in Ireland, let us say, at Wexford or Waterford?—Yes.

557. And that after the 6th of May 1844, it would also have been legal to establish a joint stock bank at Wexford, or at Waterford?—I apprehend so.

558. But by a different process?—Under the Act of 6 Geo. 4.

559. Before the Act of 1844, you could have established a bank under one process, and after the passing of that Act you must have established it under a different process, was not that so?—I do not know that. This Act does not apply to Ireland.

560. Is there any Act which regulates the establishment of joint stock banks in Ireland?—The Act of 7 & 8 Vict. c. 113, was extended to Ireland

Chairman—continued.

Ireland and also to Scotland by 9 & 10 Vict. c. 75, the date of 18th July 1846 being substituted for 6th May 1844; but this last Act was partially repealed by 20 & 21 Vict. c 49, which is also almost entirely repealed by "The Companies Act, 1862."

561. Supposing that any body of persons wished to establish a new bank in Ireland to-morrow, how would they do it?—I do not think that they would take the trouble to go under the Act of 6 Geo. 4, because there would be no advantage in it, inasmuch as they could not be a bank of issue; but of course even now, if it pleased them, they could establish a bank under the Act of 6 Geo. 4, and thereby gain the right of suing and being sued by a public officer. Under that Act they could carry on banking all over Ireland, excepting within 50 miles of Dublin. Then the subsequent Acts would enable them to carry on banking in Dublin, and therefore, in that way, they could be a bank in Ireland under that Act, if they thought fit. There is nothing to prevent them. But the Joint Stock Companies Act now applies to Ireland as well as to England; and therefore I have no doubt that anybody wishing to establish a bank in Ireland at the present time, would establish it under the authority of that Act. They would not take the trouble, I expect, to go under the Act of 6 Geo. 4; but they would go under the Companies Act, either as a limited or as an unlimited bank, as in their direction they thought fit. Since the passing of the Companies Act, 1862, no joint stock bank can be established for carrying on any branch of banking business in any part of the United Kingdom unless it is registered under that Act, or is formed in pursuance of some other Act of Parliament or under letters patent.

562. All the banks in Ireland, which are banks of issue, must have been established before 1844, must they not?—No doubt,

563. Then all of them are, in respect to their power to come to London, on the same footing with the National Bank?—Yes, since the repeal of nearly the whole of the Act of 7 & 8 Vict. c. 113, except that, as I say, their constitutions will not allow it, they would in law be able to do so.

Sir *John Lubbock.*

564. The honourable Member for Sheffield asked you whether the Bank of England and the Clearing-house objected to your coming to London, and you said that the Bank of England did; I think no objection at all was actually made on the part of the Clearing-house, was there?—I should think not. The objection on the part of the Clearing-house, so far as I recollect, was a sort of jealousy against joint stock banks generally; they would not have any business with the joint stock banks at all at one time, and the consequence was that there was a great difficulty in getting a joint stock bank admitted to the Clearing-house. I remember well that 40 years ago, when the London and Westminster and other banks were established, they would not admit them to the Clearing-house.

565. I am not talking of the time when you commenced business, but of 1854, when you proposed to come to London; was there any opposition then on the part of the Clearing-house?—I do not think that there was any opposition at that moment; I think the principle had been admitted at that time.

Sir *John Lubbock*—continued.

566. As regards the Act of September 1844, I think I understood you to say, that in order to claim the right to come to England under that Act, it was not only necessary that the bank should have been established before a particular date mentioned in the Act, but that it should have been established for the purpose of banking in England; and that you based your claim upon the ground that by your original constitution you were intended to bank in England?—We could not otherwise have come to London and have had the advantages of that Act, which practically are absolutely essential to the business. For instance, Clause 47 enables you to sue and be sued in the name of a public officer; and practically, without that we could not carry on business, though theoretically we might.

567. Practically, you think that you could not have come but for that Act?—No, because we have no power to sue and be sued but under that Act.

568. I think that by 8 & 9 Will. 3, c. 20, s. 28, it was enacted that during the continuance of the Corporation of the Governor and Company of the Bank of England no other bank or any other corporation, society, fellowship, company, or constitution in the nature of a bank should be erected or established, permitted, suffered, countenanced, or allowed by Act of Parliament within this kingdom?—That is the Act of 1697. There was a previous Act of incorporation, 5 Wm. & Mary, c. 20, s. 20, which was the year 1694; that was modified or extended afterwards by an Act of Geo. 3, I think.

569. Will you have the kindness to tell me when it was modified?—I think you will find that it was modified or extended in the reign of Queen Anne, and again by an Act of 39 & 40 Geo. 3. The Act of 3 & 4 Will. 4, c. 98, "An Act for giving to the Corporation of the Governor and Company of the Bank of England certain privileges for a limited period," recites 39 & 40 Geo. 3, c. 28, and that in fact renewed the charter: "And whereas it was by the said recited Act declared and enacted that the said Governor and Company should be and continue a Corporation with such powers," and so on; and it then recites 7 Geo 4, c. 46.

570. Then you consider that the prohibition to establish a bank in England which was enacted by the Act of Will. 3, was put an end to by the Act of 1833?—It was put an end to by the Act of 7 Geo. 4. I believe you could always have carried on banking in London, notwithstanding the Bank of England Charter, by any number of persons not exceeding six, and you could have issued notes of course in any part of England either in London or elsewhere. It was not the custom to do it in London, but there was nothing in the law to prevent six persons uniting in being bankers in London and being a bank of issue.

571. Supposing that they were more than six in number, they were prohibited by the Act of Will. 3, were they not?—The Act of 5 Will. & Mary, c. 20, s. 20, and the Act of 8 & 9 Will. 3, c. 20, s. 28, incorporated the Bank of England, but contained no prohibition. The Act of 6 Anne, c. 22, s. 9, is the first Act which forbade a society or partnership of more than six in number being

Mr. *Tatham.*

3 May 1875.

Sir *John Lubbock*—continued.

a bank of issue. This was practically such a prohibition, because more than six could not accept bills; but they could always have been a bank of issue, provided that their partnership did not exceed six persons in number.

572. Under what Act do you consider that the prohibition has been removed?—Under 7 Geo. 4, c. 46, the Act of 1826; but that Act only went to a distance beyond 65 miles from London.

573. Therefore under that Act no joint stock bank could come within 65 miles of London?—Not for the convenience of banking; they could not accept bills at less than six months' date, and they could not sue and be sued in the name of a public officer.

574. Then, in fact, you base the right, as regards London, not upon the Act of 1826 but upon the Act of 1833?—Our particular bank does not go under the Act of 7 Geo. 4, because that contained an express prohibition against having a house in London. How far that would operate in the present state of the law I am not prepared to argue; but I am quite clear that at that moment we could not have had a house in London, because the Act of 7 Geo. 4 expressly forbade any banking establishment under it having a house of business in London. The later Act did not prevent us from carrying on banking at common law; and the 7 & 8 Vict. c. 32, and 7 & 8 Vict. c. 113, give us power to accept bills, and to sue and be sued; and therefore, at this moment, we do not bank under the Act of 7 Geo. 4. Although our articles contemplated that we should do so, we never have done so; it was not convenient.

575. I am putting questions, not with reference specially to your own bank, but with reference to the general law; and I ask, under what Act you consider that the restrictions imposed upon banking by the Act of Will. 3 were relaxed? I now understand you to say that you consider that they were relaxed by the Act of 1833?—No, the Act of 7 Geo. 4 relaxed the statutes of Anne.

576. That is the Act of 1826?—Yes, that was the one certainly. I should say that the Act of 1826 enabled them, but 7 & 8 Vict. c. 32, expressly authorises any society or partnership exceeding six persons carrying on business as bankers in London, or within 65 miles, to draw, accept, or endorse bills of exchange, not being payable to bearer on demand.

577. But you do not contend, do you, that the Act of 1826 gave a joint stock bank power to come to London?—No, it expressly prohibited the doing of the two things at once.

578. Therefore the Act of 1826 did not allow you to come to London?—Yes, it would, because we were not carrying on the business of banking beyond the 65 miles.

579. Then you say that the Act of 1826 did allow you to come to London?—It did not allow us to come to London, but it did not prohibit so long as we did not avail ourselves of that Act.

580. Then it was the Act of 1833 which allowed you to come to London?—7 & 8 Vict. c. 32, facilitated our doing so.

581. But that Act only applied to your own bank; you do not base a general claim upon that Act, do you?—Yes. I should say that any bank would be in the same position. After all, the only restriction in the Bank Charter of any

Sir *John Lubbock*—continued.

importance upon bankers was that of their not being able to draw, accept, or endorse bills of exchange. The inability to sue and be sued cannot be considered a restriction under the Bank Charter; it was a common law difficulty which attaches to all incorporated societies.

582. Then, do I understand you to say that, in your opinion, a bank of issue could not have come to London until 7 & 8 Vict. c. 32 was passed?—If they were existing elsewhere, such, for instance, as the Provincial Bank of England, which was a bank of issue, they could not come to London, because they were acting under the Act of 7 Geo. 4, which expressly prohibited their coming to London. When they did come to London, they had to relinquish their issue.

583. I understand you to say that it is not the Act of 1826, because that expressly prohibits a bank of issue from coming to London; under what Act is it that you consider yourselves justified in coming to London as bankers?—The Act of 1826 prohibited banks availing themselves of the Act of 7 Geo. 4; but you might be a banker and not avail yourself of the Act of 7 Geo. 4. A joint stock bank could not practically come to London, because they would not have power to sue and be sued, except under that Act.

584. But the Act of 7 Geo. 4 clearly did not allow a joint stock bank of issue to come within 65 miles of London?—It did not.

585. By what subsequent Act was a joint stock bank of issue allowed to come within the 65 miles?—It could not come to London unless it abandoned being a bank of issue, and then it would come directly under the Acts that we are now upon.

586. But the National Bank is a bank of issue, and has come to London, and I am asking you under what Act of Parliament you claim the right to come?—We are not a bank of issue in England, within the limits of the Bank of England Charter.

587. Under what Act do you, or any of the Scotch banks, claim the right to come to England?—Under the Act of 7 & 8 Vict., or rather under the common law, aided by that statute, we claim; but I am not prepared to reply on behalf of the Scotch banks on what ground they base their claim.

588. Then do I understand you that you consider that, until the Act of 7 & 8 Vict. was passed, you could not have come to London?—We could not with any good purpose, because we could not have accepted bills, and until 7 & 8 Vict. c. 113 was passed, we could not have had the power of suing and being sued.

589. But the Act of 7 & 8 Vict. never repealed in any way the Act of Will. 3?—The Acts of Will. 3 incorporated but gave no other exclusive privilege to the Bank of England, but the Act of 7 & 8 Vict. repealed partially the Bank Charter of the reign of Queen Anne. The Act of 7 & 8 Vict. c. 32, s. 26, has a most important bearing upon the Bank of England Charter, as enabling joint stock banks in London to accept or endorse bills of exchange other than payable to bearer on demand. That was a repeal of the Bank Charter *pro tanto.*

Mr. *Anderson.*

590. When you submitted your case to counsel about coming to London, I think that there was some

Mr. *Anderson*—continued.

some conflict between the two opinions that you received?—There was a temporary conflict in this way: Sir Richard Bethell, when the case was first put to him, was about to give a very positive opinion to the contrary, and I then begged that he would postpone his opinions until he had heard my arguments; and when I had given him my arguments he flattered me by telling me that I had completely converted him, and about four months afterwards he was completely altered in his view, and he then gave the opinion which he has written.

591. It was the opinion of Sir Richard Bethell, was it not, that you were entitled to come to London, but that you were not entitled to establish yourselves anywhere in England beyond the 65 miles?—We could not do the two things together; we could do either the one or the other, but not both.

592. The other opinion was the opinion of Mr. Welch, was it not?—Yes.

593. Did he not give you an opinion that you might establish yourselves anywhere 65 miles beyond London?—So we could; but not at the same time that we banked in London, because at that time the Act of 7 Geo. 4 would have prohibited it.

Mr. *Mulholland*.

594. You said that unless your bank had originally purposed coming to London you could not have come under 7 & 8 Vict. c. 113, which you said had afterwards been repealed?—7 & 8 Vict. c. 113, is all repealed excepting one section.

595. So that there is nothing in that Act now to prevent any Irish bank coming to London, even if it had been its original purpose not to come to London?—I apprehend not, but of course it cannot facilitate their doing so, as it does us under the unrepealed section.

596. Your attention, I do not think, has been called to the Act of 1833, in which there is a special clause permitting joint stock banks, which do not issue in England, to come to London?—3 & 4 Will. 4, c. 98, s. 3, is as follows: "And whereas the intention of this Act is, that the Governor and Company of the Bank of England should, during the period stated in this Act (subject, nevertheless, to such redemption as is described in this Act), continue to hold and enjoy all the exclusive privileges of banking given by the said recited Act of the thirty-ninth and fortieth years of the reign of his Majesty King George the Third aforesaid, as regulated by the said recited Act of the seventh year of his late Majesty King George the Fourth, or any prior or subsequent Act or Acts of Parliament, but no other or further exclusive privilege of banking: And whereas doubts have arisen as to the construction of the said Acts, and as to the extent of such exclusive privilege, and it is expedient that all such doubts should be removed: Be it therefore declared and enacted, that any body politic or corporate, or society, or company, or partnership, although consisting of more than six persons, may carry on the trade or business of banking in London, or within sixty-five miles thereof, provided that such body politic or corporate, or society, or company, or partnership do not borrow, owe, or take up in England any sum or sums of money on their bills or notes payable on demand, or at any less time than six

Mr. *Mulholland*—continued.

months from the borrowing thereof, during the continuance of the privileges granted by this Act to the said Governor and Company of the Bank of England." But the Act of 1844 enables them to do that, and that proviso is, in fact, abrogated by 7 & 8 Vict. c. 32, s. 26, by which it is enacted: "That from and after the passing of this Act it shall be lawful for any society or company, or any persons in partnership, though exceeding six in number, carrying on the business of banking in London, or within sixty-five miles thereof, to draw, accept, or endorse bills of exchange, not being payable to bearer on demand."

597. But that proviso is a proviso against issuing notes in England generally; it is to permit any joint stock banks, which do not issue notes in any part of England, to come to London?—Anybody could do that before this Act was passed, but the last Act facilitated their business there.

Chairman.

598. I think your attention has not recently been specially directed to this question, and to the examination of these different Acts, which are rather complicated?—If I understood the question, I think I could answer it.

Mr. *Mundella*.

599. But you were called here merely to speak to specific facts?—Yes.

Mr. *Mulholland*.

600. However, you have come to the conclusion that any Irish bank might establish a house in London if there was nothing in its original charter to prevent it?—That is my impression, certainly, in the present state of the law.

Sir *Graham Montgomery*.

601. When did you enter the London clearing house?—I forget whether we did it before we opened as a bank in London. We had a good deal of business in Ireland, and we always cleared through Barnetts'.

602. At the time you entered the London clearing house, was there any disinclination on the part of the London banks to admit you?—I do not think that there was. When they found that the Bank of England did not oppose us as a bank, I do not think they opposed us at the clearing house.

603. If there had been any doubt as to your power of having a branch in London and retaining your note circulation in Ireland, the Bank of England and the London bankers would have hesitated to admit you to the clearing house, would they not?—I confess that I should have been very much surprised if they had, because I do not understand what they could possibly have to do with the question, any more than if we were a bank of issue in Spain.

604. Your impression is that the Scotch banks, unless they have anything special in their constitution to prevent them from having branches in London, are probably in the same condition as your bank, with reference to this question?—I am ignorant of any argument to the contrary; in fact, I have not studied it; but I am not prepared to say that they are not perfectly at liberty to do so.

605. You know of no Act of Parliament which would prevent their doing so?—I do not.

606. As

Mr. *Tatham.*

3 May 1875.

Mr. *Campbell-Bannerman.*

606. As I understand you, you regard the National Bank as being, *quoad* England, a bank of deposit only?—It is not a bank of issue, certainly; it is a bank in every sense except a bank of issue.

607. And the fact of its being a bank of issue in Ireland does not, in your judgment, alter its legal position in England?—Not in the slightest degree, according to my impression.

Mr. *Backhouse.*

608. In your opinion, the whole of the Acts with regard to the privileges of the Bank of England were enacted against banks of issue in England alone, and not against banks of issue elsewhere?—I apprehend so. There are one or two Acts of Parliament, and there is one Act which I have noticed (I think it is the Bank of England Charter Act) which expressly said that the notes of the Bank of England should be legal tender. There was nothing in the Act expressly to confine it to England, and therefore doubts immediately arose. The intention of the Act was with reference to the Bank of England charter solely; but inasmuch as it did not expressly, in words, confine it to England, a doubt arose; and then a subsequent Act, applied to Ireland, expressly said that it was not intended that a Bank of England note should be a legal tender in Ireland.

609. The Acts of 1826 and 1833 were simply Acts regulating English banking, were they not?—Yes.

610. And the objects of those Acts was simply to regulate English banks, and they were strictly confined to English banks, were they not?—Such is my impression.

611. I think the Provincial Bank of Ireland has a head office in London, the same as you had formerly?—They have a head office in the same sense in which we had before we opened in London.

612. Not for banking business, but for management?—For management.

Mr. *Sampson Lloyd.*

613. I understand that you based your claim to come to London upon grounds somewhat distinct from those of the other Irish banks, because in your articles of association you expressed an intention to set up in England?—Exactly.

614. And that if it had not been for that provision in your articles for the possibility of your setting up in England, in your opinion the National Bank could not have come to England?—No; our own constitution would have forbidden it.

615. Then that is a privilege peculiar to you, owing to your articles of association?—It is.

616. Have you at all considered the question whether other Irish banks, if there be any which have not got that special provision in their articles, can or cannot come to London?—Of course they could not come if their constitution does not allow it.

617. But if they have not a special provision in their constitution such as you described that you have, could they, being banks of issue, come to London?—No; whether they were banks of issue or not, they could not come if constituted only for banking in Ireland.

618. In point of fact, your case is one which is peculiar to yourselves, so to speak, because you have a special provision in your articles contemplating your being an English bank?—Exactly.

Mr. *Sampson Lloyd*—continued.

619. Have you given any consideration to the question as to whether, for instance, any Scottish bank, or a bank elsewhere in the United Kingdom than Ireland, which had not in their articles of association a special provision such as you have described, could set up in London?—They could not do it; not that the law itself forbade it, but because it is beyond the object for which they are established.

Mr. *Mundella.*

620. You mean to say that they are limited by their own articles of association?—Certainly.

Mr. *Sampson Lloyd.*

621. I understand you to say that other Irish banks, whether of issue or not of issue, cannot come to London, because they have not a special provision in their articles contemplating their banking in England?—Yes; but that is a question entirely between themselves and their shareholders, and not between themselves and the law.

622. Then I understand that you know sufficiently the constitution of all the other Irish banks to be able to give the general answer that you give now, that they cannot come to London?—Certainly; it is not within their present constitution. I know the fact that there is no other Irish bank that is in the position to come to England.

623. By what law is it that the National Provincial Bank of England were advised that they would have to give up their issue in order to come to London, and yet according to your last answer a bank of issue in Ireland is not precluded from coming to London?—Because banks in Ireland were not banks of issue within the limits of the Bank of England Charter. The National Provincial Bank of England was a bank of issue under the Act of George the Fourth.

624. The National Provincial Bank of England did not issue notes within the 65 miles radius, did they?—No.

625. And yet you think that the Irish or Scotch banks which also issue notes in Scotland and Ireland respectively, have a privilege which was denied to the National Provincial Bank of England?—Certainly.

626. Under what Act of Parliament?—There was no Act necessary; the Bank of England Charter does not extend to them.

Mr. *Mundella.*

627. The Bank of England Charter does not extend, in your opinion, to any Scotch, Irish, or foreign bank, or to any bank not having an issue in England?—That is my opinion.

Mr. *Sampson Lloyd.*

628. I think you said that your bank was not competent to set up in England outside the 65 miles limit; what is your reason for that statement?—Our constitution provided that we might do so, and therefore we exercised our discretion. We might have established ourselves 65 miles from London and have been a bank of issue in England until the law forbade the establishment of

Mr. *Sampson Lloyd*—continued.

of banks of issue; but at the same time we could not have been a bank in London.

629. You could not do both?—No.

Mr. *Hussey Vivian.*

630. You say that the banks in Scotland and Ireland were not within the limits of the Bank Charter Act?—That is my impression.

631. But when they came to England they would be within the limits of the Bank Charter Act, would they not?—They mustobey the law of England, of course.

632. Then if it was the law of England that no bank could be established, then it is clear that it would be contrary to the law for them to establish themselves?—Of course.

633. We must admit, of course, that so long as they are in their own country they are outside the limits of the Bank Charter Act?—Yes, that is so.

634. But when they come to this country they are within the limits of the Bank Charter Act?—Certainly; but then comes the question whether in this country they are forbidden to be a bank in London being a bank of issue elsewhere.

635. Have you considered that question?—I have considered it, but knowing that there is a dispute about it among gentlemen of intelligence I am unwilling to express an opinion upon the subject, although I really have no doubt about it. My impression, I confess, is that they have a perfect right to come, provided their constitution does not forbid it.

636. Of course, there is nothing in their constitution which could enable them to do anything which is contrary to law?—No, certainly not.

637. That would be altogether *ultra vires*, of course?—Certainly; the question of constitution is, of course, entirely between the shareholders themselves.

Mr. *Backhouse.*

638. Supposing that the Irish banks were not prohibited by their internal arrangements from coming to London, would they be obliged to register in England under the English Acts before they could commence business in England?—Certainly.

639. Would not the Scotch banks also be obliged to register under the English Acts before they could do business in London?—Certainly.

Chairman.

640. Are you aware that in the beginning of the establishment of the Bank of England a law was passed which prevented the establishment of any bank, except the Bank of England, in the Kingdom of England?—On its first establishment the Act of William III. did not in words so prohibit or prevent, but declared that Parliament would not incorporate any rival bank during a certain period. The statutes of Anne prevented establishment of other banks of issue, consisting of more than six partners, but contained no restriction against banks of deposit or discount of more than six partners.

641. Then do you consider that if the Act of William III., which established the Bank of England, had remained exactly as it stood until this day, the National Bank of Ireland might nevertheless have established itself in London to

Chairman—continued.

carry on exactly the same sort of business that it does now?—Certainly not; because they could have sued and been sued in the name of a public officer, and after the statutes of Queen Anne they could not draw, accept, or indorse such bills as they can now.

642. With regard to suing and being sued, and so forth, those are alterations of the law which are independent of the privileges of the Bank of England, are they not?—Yes, but they could not borrow, owe, or take up money on any bill or note. Those are the words of the Bank of England charter, I believe; I forget what the words of the Act of Will. 3 are.

643. According to the construction that is put upon the Act of Will. 3 and the Act of Anne, no bank having business in Scotland or in Ireland, or in Spain (to take your own illustration) could have come to carry on business in London; is not that so?—My impression is that they could have been bankers of deposit and discount, although a joint stock bank of more than six partners, but such bank could not have been a bank of issue in England.

644. Even though they were carrying on business as bankers of issue in some other country?—I apprehend so; I do not know what law there would be against it.

645. Are you aware that that was not considered to be the law for a great number of years?—I am aware that there was a dispute about it, but I confess I never entertained much doubt about it myself. Many years ago, in the year 1833, when joint stock banks were first contemplated, there was some such doubt as you express, and the opinions were taken, I think, of Sir James Scarlett, and Sir Edward Sugden, and some one else, and I obtained at that time copies of those opinions, and I have them still. They were very long and elaborate opinions indeed, occupying several sheets, and upon a very short question, namely, upon the meaning of the word "banking."

646. We should be very much obliged if you could furnish us with copies of those opinions?—I will do so certainly. (*Vide* Appendix.)

647. Assuming that you can now do legally that which was believed for 140 years to be illegal, I wish to know whether it is now assumed to be legal, on the ground that it was legal all along, but that there had been a mistake in the interpretation of the law; or that, having been originally illegal, it had been made legal by some subsequent Act of Parliament, and, if so, by what Act?—My recollection does not, at this moment, go beyond the Acts of Anne. I forget the words of the Act of Will. 3, but the words of the Act of Anne were these: "That they might do anything but borrow, owe, or take up on bill or note." My impression always has been that any banker could do anything else in London except that, although their firm exceeded six partners.

648. But you take the Statute of Anne without considering the prior Statute of Will. 3?—Exactly.

Sir *John Lubbock.*

649. I think I understand you to say that you had not gone beyond the Statute of Anne, and that your attention had not been particularly called to the 8 & 9 Will. 3, c. 20?—In former years it had, but not lately sufficiently for me to

Mr. *Tatham.*

3 May 1875.

Sir *John Lubbock*—continued.

be able to express an opinion. Years ago I studied all the Statutes, but I have not looked at them lately with moderate attention, or until my attendance before this Committee.

650. In the case which was submitted to Sir Richard Bethell, I see that his attention was not called to the Act of Will. 3, nor to the Acts of 1826 and 1833?—I daresay not; it would not be in the questions. In the case which I drew, and laid before Sir Richard Bethell, I said, "At the date of the deed of settlement above alluded to, although the charters of the Bank of England and Bank of Ireland did not prohibit the establishment in either country of joint stock banks of deposit and discount merely by a company consisting of more than six partners, yet it was only by virtue of the Statutes of 6 Geo. 4, c. 42, Ireland, and 7 Geo. 4, c. 46, England, that such joint stock banks could issue or stake their credit upon bills or notes payable on demand, or at a less period than six months from the date of such bills or notes, and it was then also by virtue of those Statutes alone that any joint stock bank could sue and be sued in the name of a public officer, and inasmuch as by those Statutes every joint stock bank availing itself of the privileges thereby conferred was restricted from having a house of business as bankers in London, or within 65 miles therefrom, or in Dublin, or within 50 miles therefrom, and also from drawing upon any agent resident within those limits."

651. Thus, in stating the question to Sir Richard Bethell, you stated it as a fact that banks could carry on the business of banking provided they did not issue notes?—They could not stake their credit in any way; they could be banks of deposit and discount merely.

652. And you state that in the case?—I state it there as my opinion of the then state of the law.

653. And you did not call Sir Richard Bethell's attention to the Act of Will. 3, nor to the Acts of 1826 or 1833?—I do not think it bore upon the point; the Act of Geo. 4 recites them all.

654. Did you or did you not particularly refer to those three Acts?—Not in words, that I know of. I called his attention to the Act of 7 Geo. 4.

655. I asked you whether you called his attention to the Act of Will. 3, and the Acts of 1826 and 1833; it is a very simple question?—It is not very simple. Indirectly I have no doubt that I did call his attention to those Acts. The Act of 7 Geo. 4 is a modification of the charter, therefore, of course, he had the charter before him.

656. In the Act of September 1844, to which you have referred, in the 47th section, which I believe is the only one still operative, it is stated: "Be it enacted, that after the passing of this Act, every company of more than six persons established on the 6th day of May for the purpose of carrying on the said trade or business of bankers within the distance of 65 miles from London"; therefore it is clear that that does not give any power to carry on the business of banking in London, but merely gives to those who already have that power the right to sue and be sued; that is the effect of the clause, is it not?—It gives them the right of suing and being sued.

657. Therefore they could not claim the right to bank under this clause; but those who had the right to bank already gained by that clause the right to sue and be sued?—Yes, but I do not believe you will find that in the whole United Kingdom there is another company but ourselves who can come under those words, and were not at the time trading as bankers as we in fact were not.

658. Therefore the power given by this clause can, in your opinion, refer to no other bank except your own?—That is my impression, so far as the words "for the purpose of" operate, and any modern company would have to come under the Joint Stock Companies Act, 1862.

659. Do you mean that there are banks of issue in Ireland which are carrying on business there, which you think would be precluded from coming to England to do business without surrendering their issues?—They are only precluded, as I have said, by their constitutions.

Mr. *Campbell-Bannerman.*

660. I understand you to be of opinion that there is a common law right of conducting a bank of deposit in England?—That is my impression.

661. Has your attention been directed to the opinion expressed in Parliament in 1833 by the Solicitor General of the day, Sir J. Campbell. His words were these, "There was no pretence for saying that the establishment of such banks" (*i.e.*, banks of deposit), "was an encroachment on the monopoly of the Bank of England. A notion to the contrary had prevailed in some quarters, but, as it seemed to him, without the slightest foundation. He had looked into the Act, and he thought that no rational doubt could be entertained on the subject, and whatever doubt was entertained ought now to be cleared up, because it would be most discreditable to Government and the House to pass a law which was professedly equivocal, and thus leave it to courts of justice to put a construction on what they allowed to be doubtful. By the Act 6 Will. and Mary, the bank of England was established as a bank of issue. Now in that Act there was nothing whatever to give it a monopoly; but there was in the 8 & 9 Will. 3, which contained very general words, and on which, taken by themselves, without the intention of the Legislature, and without the context, it might be contended that no private bank now existing in any part of the kingdom could be tolerated, because that Act expressly said, 'That no other bank, or any other corporation, society, or partnership in the nature of a bank, shall be erected or established, permitted, tolerated, countenanced, or allowed by Parliament within this kingdom.' But that must mean a bank, *ejusdem generis*; such a bank that was to say, as the Bank of England; and that construction had been put on it by all subsequent Acts, for 7 Anne, c. 62, recites: 'That, whereas corporations of great numbers of persons had united together, and presumed to borrow large sums of money upon bills.' The enactment of the laws was, 'That it shall not be lawful for any corporation, other than the Bank of England, or for other persons united in partnership, exceeding the number of six, in England, to borrow or take up any sum or sums of money on their note or notes, payable on demand, at any less time than six months from the borrowing thereof.' This showed that the object was that the monopoly should be confined to the issue of paper money." "Banks of deposit were lawful at common law, and

Mr. *Campbell-Bannerman*—continued.

and therefore it rested with those who said that it was forbidden to establish such banks of deposit to show by what Act they were forbidden." And, at a further stage of the debate, the Solicitor General again said, "That after the most deliberate and dispassionate consideration, he was confirmed in the opinion which he had recently expressed. That opinion was wholly unbiassed; and if he had any wish on the subject, it was that he could have concurred in the view which had originally been taken of it. He was decidedly of opinion that the establishment of joint stock banks of deposit, consisting of more than six partners within 65 miles of London, had never been prohibited by law; and that, of course, they could at any time have been legally established." That is a very strong opinion, which I think very well expresses the view that you have taken; do you agree with it?—I do, quite; and I observe that the Act of Will. 3 said that no such company should be established or allowed by Parliament. Therefore even the Statute of Will. 3 did not prohibit it; it only said that it should not be authorised by Parliament.

Mr. *Goschen.*

662. Had you seen that statement which has just been read before?—Not that I recollect.

663. You are able to state that you agree with every part of it, though you have only heard it now for the first time?—I entirely agree with it.

Mr. *Sampson Lloyd.*

664. I do not clearly understand, if that is good law, why an English bank of issue, which is of issue within 65 miles, may not come and be a bank of deposit within 65 miles. If a Scotch or Irish bank issuing beyond 65 miles, according to Sir John Campbell, may, because it is a bank of deposit within 65 miles, lawfully establish itself in London, I do not know why the same common law right should not apply to an English bank. Can you explain that?—Because no bank of issue of more than six persons was allowed at all in any part of England until the Act 7 Geo. 4 was passed; and then that Act said that they might be banks of issue 65 miles from London, provided that they had not a house in London.

Mr. *Mundella.*

665. You hold that that restriction applies only to English banks of issue, and not at all to banks of issue in other countries; that is your view, is it not?—Certainly.

Mr. *Sampson Lloyd.*

666. In other words, you think that the Scotch and Irish banks, and all other banks but English banks have the privilege assigned to them by the law of England to come and do banking business in London, which English banks have not?—No, indeed, I do not think so. The English as well as the Scotch and Irish banks could have come to London, and have been banks of deposit and discount, as Sir John Campbell's opinion expresses it, at common law.

667. Why could not an English bank of issue beyond the 65 miles come and be a bank of deposit within the 65 miles?—Because the Act Geo. 4 expressly prohibited them from having a house in London.

Mr. *Backhouse.*

668. The Act 7 Geo. 4 does not apply to English private banks of under six persons, does it?—Not at all, and now I believe that number of six is increased to 10.

669. But I take it that the Irish banks and Scotch banks of issue are *ejusdem generis* with the Bank of England, are they not, in all respects; the Scotch and Irish banks have the same principle of banking as the Bank of England?—No doubt, and can act on that principle where they do not interfere with the privileges of the Bank of England.

Mr. *Mundella.*

670. You maintain that the privileges of the Bank of England are limited to England, I suppose?—Yes, I do.

671. And you think that Bank of England notes, not being a legal tender in Ireland and Scotland, the Bank of England has no right to exclude Scotch and Irish bankers from trading in London?—That is my impression, although not exclusively on that ground.

Mr. *Campbell-Bannerman.*

672. If those banks are *ejusdem generis* with the Bank of England, they are so only in Ireland and Scotland respectively; and when they come to England they cease to be *ejusdem generis* with the Bank of England; they cease to be banks of issue, but are merely, *quoad* England, banks of deposit?—No doubt, except that under modern Acts of Parliament they can accept bills now.

673. But that has nothing to do with their issue?—No.

Sir *John Lubbock.*

674. Until they came to England they would be banks *ejusdem generis* with the Bank of England, would they not?—I do not quite understand the question. They would not have the same monopoly there as a Bank of Ireland and a Bank of Scotland, each of which is *ejusdem generis* with the Bank of England; but the local banks of Scotland, I suppose, are more *ejusdem generis* with the joint stock banks of England than with the Bank of England.

675. I understood you to say that in your opinion, adopting that which was just read, the Act of William the Third only applied to banks *ejusdem generis* with the Bank of England, that it did not apply merely to a bank of deposit, but that it also applied to a bank of issue?—It and the subsequent statutes of Anne applied simply to prevent banking firms consisting of more than six persons issuing their notes in England; that was the sole privilege which the Bank of England had.

Mr. *Anderson.*

676. Scotch and Irish notes did not come into competition with English notes, and that is the reason of the distinction between them, is it not?—That is the reason, I apprehend of the continuance of that state of the law, but in the reigns of William and Anne the legislatures of the three kingdoms being separate, an Act passed in one did not extend to the other.

Mr. *Goschen.*

677. Would a note issued by a bank in Cumberland compete less with the Bank of England than a note which had travelled over the

Mr. *Tatham.*

3 May 1875.

Mr. *Goschen*—continued.

the border from Scotland, and had circulated in Cumberland?—That is a question of credit; I apprehend that there is nothing to prevent persons circulating Irish bank notes here if they like. If Irish people choose to bring their notes here, of course they may circulate them here.

678. Are you sure of that?—That is my impression.

679. You have looked into the law of the matter carefully. Are you sure that there is not a statute in existence which makes it penal to circulate Irish 1 *l.* notes in England?—I do not remember an Act of that sort; there may be such an Act.

680. You are not aware that there is an Act of 9th George 4, 1828, prohibiting the circulation in England of Irish 1 *l.* notes?—I think that that section bore entirely upon the question of the abolition of 1 *l.* notes.

681. Has that Act been repealed to your knowledge?—Not to my knowledge.

682. Then that makes it illegal to circulate 1 *l.* notes, does it not?—Of course it does not apply to a 5 *l.* note. You can circulate an Irish note of 5 *l.* even under this Act.

683. But that was not my question; my question was whether you could circulate 1 *l.* notes?—I thought your question was a general question as to circulation; under this section you could not circulate a 1 *l.* note, but you could circulate a 5 *l.* note.

684. That is to say, it is not prohibited by that particular Act?—There is no other Act that I am aware of; this evidently bears upon the abolition of 1 *l.* notes.

685. But it bears upon the circulation of 1 *l.* notes to this day, does it not?—It does.

686. You agreed with the long extract from a speech made by Sir John Campbell, which was read by the honourable Member for Stirling?—Yes.

687. In that speech Sir John Campbell says this, "A question had been mooted whether the pre-existing monopolies entitled them to complain of the establishment of banks of deposit within the limits which he had described, and it appeared to him, after a diligent examination through all the cases, that there was no pretence for saying that the establishment of such banks was an encroachment on the monopoly of the Bank of England." Is there any distinction drawn there, or in the other part of the speech which you have heard read, between banks of deposit which are English, and banks of deposit which are Irish or Scotch?—I am not aware of any distinction. That would apply to England, and I say that the same argument would apply in Ireland as between the Bank of Ireland and the rest of Ireland.

688. But so far as that statement goes, does it not mean that banks of deposit might come to London?—Certainly, and I am surprised to hear that Sir John Campbell confined it to banks of deposit, because I have always been of opinion that you could do discounting, which is a much more valuable form of banking; there could always be a bank of deposit and discount, I think, although they could not re-discount by indorsement.

689. But an English bank of deposit, which also has an issue of notes, is forbidden by statute to come to London, is it not?—A bank of issue in England is not allowed to come to London.

Mr. *Goschen*—continued.

690. Could you put your hand upon the clause that forbids that?—The Act of 7 Geo. 4; and the consequence was, that when the Provincial Bank of England came to London they were obliged to drop their issue.

691. Your bank had a house in London, had they not?—Not as bankers till lately. We have a bank in London now.

692. But used you to have an establishment in London?—Not as bankers.

693. Does the Act say, "An establishment as bankers"?—Yes, I think you will find it to be so.

694. You mean the Act of 1826?—I think it is that Act.

695. That excludes banks of issue, which are also banks of deposit, from coming to London, does it not?—No doubt. The first section recites these words: "Provided that such body politic or corporate, or persons united in covenants or partnerships, exceeding the number of six persons in each co-partnership, shall have the whole of their banking establishments, and carry on their business as bankers at any place or places in England, exceeding the distance of 65 miles from London." Therefore, it is confined to establishments as bankers. We were not under this Act at all. At the time that we had our house in London, in the early part of our business, we were not bankers in England at all.

996. What are the words which exclude the English banks of issue from coming to London?—Those are the words which I have just read.

697. Those are the enabling words, are they not?—The Bank of England Charter Act forbade their having a bank of issue in any part of England, and this Act enabled them to be banks of issue in any place in England more than 65 miles from London. The first section recites the Bank Charter Act, 39 & 40 Geo. 3, c. 28, and says: "And whereas the Governor and Company of the Bank of England have consented to relinquish so much of their exclusive privilege as prohibits any body politic or corporate, or any number of persons exceeding six, in England, acting in co-partnership, from borrowing, owing, or taking up any sum or sums of money on their bills or notes payable on demand, or at any less time than six months from the borrowing thereof, provided that such body politic or corporate, or persons united in covenants or partnerships, exceeding the number of six persons in each co-partnership, shall have the whole of their banking establishments, and carry on their business as bankers at any place or places in England exceeding the distance of 65 miles from London;" you mean by that, that if they were in Ireland they could come, but that if they were in England they could not come; I want you, if possible, to show the Committee the clause which draws a distinction between an English bank of issue that wanted to come to London, and an Irish bank of issue that wanted to come to London, and why the one could come and the other could not?—Because the Bank of England Charter does not affect the banks in Ireland at all.

Mr. *Orr Ewing.*

698. I suppose that the absence of mention of Scotch and Irish banks in that clause shows that there is no restriction?—Yes.

699. Will

Mr. *Goschen.*

699. Will you show the Committee the words? —The whole of this is a modification of the Bank of England Charter, and, therefore, it would necessarily have nothing to do with the other words.

700. Then you must maintain that the Bank Charter Act would have allowed an Irish or Scotch bank of issue to come to London?—Certainly, except that they could not have been banks of issue in England.

701. Then you maintain that even before this Act the Irish and Scotch banks had privileges as regards coming to London, which the English bankers had not got?—They could have come to London and been banks of deposit and discount, although consisting of more than six partners.

702. While the English banks could not do so? —Yes, all the banks in England could do it also, provided they were not banks of issue.

703. At present you admit that there is a distinction between banks of issue in England, beyond the 65 miles radius, and the Irish banks; your case is that the Irish banks could come to London, but that an English bank of issue could not come to London?—Because in England the joint stock banks have no power to be banks of issue at all, except under the Act of 7 Geo. 4.

704. Then have they not the same common law rights of banking in England, as they have in Scotland or in Ireland?—Certainly, except that the 7 Geo. 4 forbade the banks established under it coming to London.

705. Then from what date did Parliament begin to legislate permitting the Scotch and Irish banks to come to London, and excluding the English banks?—I apprehend that they have never interfered with the question, except as explained in my last answer.

706. But the English banks of issue are excluded from coming to London; for instance, the National Provincial Bank could not come to London, and your bank can; from what date do you establish that difference between the two?—The Bank of England Charter forbade the issue of notes in any part of England by any company of more than six persons, and the Act of 7 Geo. 4, enabled banks, exceeding six persons, to issue, provided they did not do so within 65 miles of London.

707. But where is the Act preventing an English bank of issue from being a bank of deposit in London, in the same way as an Irish bank of issue may be a bank of deposit in London?—There never was any law upon that point that I know of, except with reference to the banks established under 7 Geo. 4.

708. Then according to that they may come now?—Certainly; they can do it now, when they have given up their issue authorised by the Act of 7 Geo. 4.

709. You have an Irish bank which issues notes, and you have an English bank which issues notes; they both wish to establish a branch for deposits and discount in London; under what statute, and at what date did it become lawful for an Irish bank of issue to have a deposit branch in London, and become unlawful for an English bank of issue to have a deposit branch in London?—It became illegal in this way, that the statute of 7 Geo. 4, told them, "If you wish to avail yourselves of the privilege of being a bank of issue in England, the condition upon

Mr. *Goschen*—continued.

which you are to be a bank of issue in England is that you shall not have a bank in London," but that only applies to England, of course.

710. Then your contention is that this Act of 1826 took away the privilege from the English banks of being banks of deposit in London?—Yes, because they could not be banks of issue, except on that condition.

711. Then your answer is that in the Act of 1826 Parliament legislated against the English banks, while continuing the privilege of the Irish and Scotch banks?—That was no privilege legislated against by that Act; it was giving a privilege to all the world, if you please, to establish a bank of issue in England, 65 miles from London, provided they did not have a house in London.

712. But from that time forward a bank of issue in England could not have a bank of deposit in London?—They could not have been a bank of issue under the 7 Geo. 4.

713. And a bank of issue in Ireland could be? —But they could not have been a bank of issue at all in England under that Act, except under the same condition.

Mr. *Mundella.*

714. You contend, I suppose, that you could under that Act have come to England and have been a bank of issue in England within 65 miles of London, but that in that case you could not have established a bank in London; is not that so?—We should not have wanted this Act at all to be a bank of deposit in London. We could not have been a bank of issue at any time within the 65 miles, but we could beyond the distance, and in the latter case we could not have a bank in London.

715. But supposing that you had established yourselves 65 miles from London, you could under that Act have established yourselves as a bank of issue within 65 miles of London, could you not?—We could have done so at a distance not less than the 65 miles.

716. If you had come to London, you would have had to give up the English portion of the issue, but not the Irish?—Certainly.

Mr. *Goschen.*

717. So that it is, in fact, legislating against the English issues, and giving the Irish issues a privilege which the English do not possess?—I do not quite see that.

718. To go back to the speech of Sir John Campbell, the concluding words are these: "The Committee would observe that the words constituting the monopoly of the Bank of England were clearly recognised. Under this declaration any bank of deposit might be established in the metropolis or within 65 miles of it, so that it was not a bank of issue." You stated that you concurred entirely in this statement?—The only point that I do not assent to is that of the 65 miles. My belief is that you could have done it all over England.

719. The words of Sir John Campbell, which the honourable Member says he did not read, are these: "Under this declaration any bank of deposit might be established in the metropolis, or within 65 miles of it, so that it was not a bank of issue." Do you observe that in this statement of Sir John Campbell's he mistook the difference between a bank of issue in England and a bank

Mr. *Tatham.*

3 May 1875.

Mr. *Goschen*—continued.

of issue in Ireland, but he makes the statement absolutely, that under the declaration any bank of deposit might be established so that it was not a bank of issue?—Certainly.

720. His opinion, therefore, would exclude the Irish banks?—He was not dealing with Ireland.

Mr. *Campbell-Bannerman.*

721. You believe that he obviously means a bank of issue whose issues are in competition with the Bank of England?—It must have been so; it could have been nothing else. He is giving his opinion upon the Bank of England charter.

Mr. *Goschen.*

722. Do you think that when he was making this speech he was considering the point whether the Irish and Scotch banks might come to London?—It would not bear upon the subject at all.

723. Then the whole of this paragraph that has been read to you is without any bearing upon the admission of Scotch and Irish banks to London?—I will not say that it is without any bearing, because when they come to London they come within the same category.

724. Then they are to drop their issue, in other words, if they come within that category?—Certainly not; because the issue that they drop is the issue that was given to parties under 7 Geo. 4. Now the issues in Scotland and the issues in Ireland are not at all under that Act.

725. That is your reasoning upon the matter?—That is positive law. The whole right of issue to which that Act applies is the issue authorised by that Act.

726. But you are aware that that is not held by everybody?—I am very much surprised that it should be doubted.

727. You are surprised that there should be any doubt that a bank in Cumberland coming to London must give up its issue, and that a bank coming from Scotland to London need not give up its issue?—Not at all; because the United Kingdom consists of England, Scotland, and Ireland, and the Bank of England is a private establishment incorporated as a bank in England only; you may call it public, if you please, because it has public advantages; and if the Bank of England do not object, who is there to object? It appears to me that the Bank of England alone can effectually assert its own privileges, unless and except there may be penalties recoverable by an informer.

728. I do not understand your allusion?—I mean that if I had no right, and nobody has any right out of the country to do so. Surely, the Bank of England charter is simply a private charter of their own, and they are not obliged, that I know of, to stand up for their privileges. They may do as they like, and nobody else has any right to question it.

729. But how can that affect the law?—That is the law. I do not know that I, or any other person, could enforce the privileges of the Bank of England; the Bank of England could do it, of course.

Mr. *Hussey Vivian.*

730. Do they not rest upon an Act of Parliament?—They rest upon their own Act.

731. But it is a general Act of the country, is it not?—It is only an enabling Act to them to form themselves as a private establishment.

Mr. *Hussey Vivian*—continued.

732. Surely it is part of the statute law?—It is part of the statute law, but it is not one that you can enforce; it can only be enforced by the Bank of England itself. They are established by their Act of Parliament the same as the East India Company were established, or any other privileged corporation, I suppose.

Mr. *Goschen.*

733. Do you mean to say that unless the Bank of England set itself in motion the banks of issue could do as they pleased with regard to the statutes under which they are acting?—No, I do not say that; because supposing that an action were brought between two individuals, and one of them pleaded that the transaction was illegal, because it was contrary to the charter of the Bank of England, I daresay it would be a good plea, because it would be as against a duly constituted body; but I do not know that anybody is interested but the Bank of England.

Chairman.

734. You have stated, I think, that your attention had not been drawn to the Act of 8 & 9 Will. 3, but that it had been drawn to the statute of Anne?—I stated that the statute of Anne was within my recollection more particularly.

735. On the last meeting of the Committee I addressed some questions (Nos. 210, 211, 212, and 213) to Mr. Fitzjames Stephen; his answers to those questions show, I think, that his opinion upon these points is somewhat at variance with your own, and therefore I would ask your opinion upon the subject; from those questions and answers you will perceive that Mr. Fitzjames Stephen considered that the operation of the Act of William the Third precluded any foreign bank, and therefore any bank of Scotland or Ireland, from transacting business, even for deposit purposes, in London or England; do you assent to or dissent from that opinion?—I entirely dissent from it.

736. Could you give the Committee any reason against it?—There is nothing in the Bank of England Charter that interferes with it. The express words of the Act of William the Third are, "No other bank, or any other corporation, society, fellowship, company, or constitution in the nature of a bank, shall be erected or established, permitted, suffered, countenanced, or allowed by Act of Parliament within this kingdom;" what does that mean? Does it mean that Parliament have pledged themselves that they will not give to any other company privileges to the prejudice of the Bank of England?

737. Then you mean that you think the statute of William the Third was a nonsensical statute?—I think it is very oddly worded; I quite agree with Mr. Fitzjames Stephen when he says that the statute of Anne explains more fully the statute of William; but then, when he goes on to say that it shows, "that in speaking of a bank, or a corporation in the nature of a bank, it was intended to embrace corporations which carried on banking business in connection with other transactions," I do not go with him; but I have no doubt that it was to explain more fully the statute of William, and the meaning of it was that you were not to stake your credit upon bill or note.

738. Is

Chairman—continued.

738. Is it your impression that the statute of Anne was intended to be more liberal or more restrictive than the statute of William the Third?—I do not know that it is either one or the other. My impression is that it is only explanatory; that it explains that the charter was only to extend to prevent persons staking their credit on bill or note.

739. That is to say, that it was to make it clear that persons who might have been supposed to have been prevented doing business by the Act of William were not to be prevented doing that business?—Whatever the intention was, that appears to be the operation of it.

740. Of course the statute of Anne is intended to explain the previous statute?—It looks like it.

741. And it must have been passed either because the previous statute was found to be too severely restrictive, and it was desirable to qualify it, or because it was found not to be restrictive enough, and it was desirable to make it clearer and more restrictive?—It was not sufficiently intelligible if it meant to give any exclusive privilege.

742. Are you aware that the reason for the passing of that statute of Anne was this: that in the year 1704, a few years after the passing of the statute of William, a charter of incorporation was granted to certain mining adventurers of England, and that that corporation thereupon proceeded to erect themselves into a money bank of issue, and to issue its own sealed bills, and cash notes in the same manner as the Bank of England?—I do not remember whether that was so or not.

743. If that was so, we must consider, must we not, that the statute of Anne was intended to be more restrictive than the statute of William the Third?—Probably so.

744. If that was so, and if Mr. Fitzjames Stephen's argument is a correct one, foreign banks and Scotch banks could not have come to England under the law as it was left by the statute of Anne?—I do not follow the question. Mr. Fitzjames Stephen says that no corporation in the nature of a bank shall do that part of the business of a bank, that is to say, shall issue notes. That, of course, I agree to; of course they cannot issue notes. I do not know what he may have meant, but when he says, "which carried on banking business in connection with other transactions," they could not be banks of issue; that was all.

Mr. *Goschen.*

745. You can scarcely follow the argument, I think?—No. When Mr. Fitzjames Stephen is asked whether there is anything in the statute of William which prohibits a foreign bank from having a branch for deposit purposes only in London, he says, "Yes; the express words are, 'no other bank or corporation, in the nature of a bank, shall be allowed by Act of Parliament within this kingdom.'" I do not agree with his argument; I may not understand him, but assuming he means simply to assert that no foreign bank could be a bank of deposit in London, I differ with him.

Sir *John Lubbock.*

746. May I call your attention once more, for a moment, to Sir John Campbell's opinion, in the memorandum which has just been read, that under the Act of 1833 a bank of deposit might be established in the metropolis, or within 65 miles of it, so that it was not a bank of issue; I think I understood you to say that, in your opinion, the case of Scotch and Irish banks was not contemplated in the discussions which took place on that Act?—I should think it could not have been.

747. May I call your attention to the fact, that Sir Robert Peel, in discussing the Act, used these words: "If we introduced the Scotch system into England, there would not be security for our paper circulation even for a month;" and that Lord Althorpe, in replying to him, said: "The Scotch system owed its safety to the bullion kept in England. He concurred with the right honourable gentleman" (that is, with Sir R. Peel), "that if the Scotch system were spread into England, it would place the country in great danger;" surely, it is obvious, therefore, that neither Sir Robert Peel nor Lord Althorpe considered that, in introducing this Bill, they were supporting a measure which would have the effect of introducing Scotch banking into England?—That was only expressing an opinion upon the mode of conducting business in Scotland.

748. Therefore, banks of issue were not limited to English banks of issue, but included also Scotch banks of issue?—No, it did not at all; that was only an argument, as I read it, for the system under discussion, as appears to me, was the English system alone.

749. But their statement was that if they introduced the Scotch system into England, it would place the country in great jeopardy; and surely it is a fair inference to draw from that, that they did not consider that they were introducing the Scotch system into England?—I do not know how that bears upon the point at all. Sir John Campbell, as a lawyer, would not consider that that bore at all upon his opinion. That might have been a question of policy, but it would not affect his view at all.

750. I understood you to argue that under the common law Irish banks and Scotch banks could come to London if they were precluded by the Act of William the Third; but the Act of 1826 in that case it seems to me would be a restrictive Act, because that Act says: "That from and after the passing of this Act, it shall and may be lawful for any bodies politic or corporate, erected for the purposes of banking, although such persons so united or carrying on business together shall consist of more than six in number, to carry on the trade or business of bankers in England, and for such bodies politic or corporate, or such persons so united as aforesaid, to make and issue their bills or notes at any place or places in England exceeding the distance of 65 miles from London, payable on demand, or otherwise at some place or places specified upon such bills or notes exceeding the distance of 65 miles from London and not elsewhere, and to borrow, owe, or take up any sum or sums of money on their bills or notes: Provided always, that such corporations or persons carrying on such trade or business of bankers shall not have any house of business or establishment as bankers in London, or at any place or places not exceeding the distance of 65 miles from London." Therefore, surely under this Act no right could be claimed to establish

Mr. *Tatham.*

3 May 1875.

Sir *John Lubbock*—continued.

banking business in London?—There was no occasion for the right; that is not the object of this Act; this is only a condition; they could not be banks of issue anywhere in England. This Act says: "You may be a bank of issue in England, provided you do not have your house of business in London, or within 65 miles of London." It is an enabling statute; it is limiting the restrictions of the Bank of England charter, that is all; but it does not prevent their coming to London as banks of deposit and discount from any part of the world, either in England or elsewhere. It does not affect the law at all on that point.

751. And you would consider that the words "in England" cover the whole context?—The whole object and subject is confined to England.

752. And therefore it would not apply to Scotland or Ireland?—Certainly not. This is an enabling statute to enable persons to establish banks of issue upon certain conditions.

753. And it applies only to England, I understood you to say?—It enables anybody to come, but if they establish a bank in England, they become an English bank.

754. I understood you to say just now, that you considered that the words "in England" covered the whole context?—They do, for this reason, because the Bank of England charter applied to England only, and those words are consistent with that. The Bank of England charter was that there should not be banking companies of issue of more than six partners in England, and this Act says that they may carry it on in England on certain conditions.

755. But the effect of this clause is entirely confined to England?—No doubt that is so.

Mr. *Mulholland.*

756. With reference to the last clause in Sir John Campbell's memorandum, it has been suggested to you that the words, "banks of issue there" are ambiguous; but, if you look at it, you will find that that sentence is a mere summary of the clause in the Act of Parliament; and upon referring to the clause in the Act of Parliament, you will see that a bank of issue is defined to be a bank of issue in England?—It must be so.

757. So that although Sir John Campbell left out the words "in England" in his speech, yet in the Act of Parliament the words "in England" are actually added?—You have adverted to the Statute of Anne; but have you also adverted to the Statute of George 3? That is the Act which is recited in the Statute of George 4.

Sir *John Lubbock.*

758. Section 7 of the Act of 1833, introduces a modification of the usury laws, does it not?—Yes, I apprehend so.

759. I think it is expressly provided in that section itself, that it shall apply to Great Britain and Ireland?—It is.

760. Does not the reference to Great Britain and Ireland in that particular clause lead to the inference that the rest of the Act was not intended to apply to Great Britain and Ireland, because if the whole Act applied to Great Britain and Ireland, where was the need of referring to them in that particular?—I should think that is so. The Act is intituled An Act for giving to the Governor and Company of the Bank of England certain privileges for a limited period under certain conditions. I do not know why that section should have been put into the Act, instead of being the subject of a separate Act.

Thursday, 6th May 1875.

MEMBERS PRESENT:

Mr. Anderson.
Mr. Backhouse.
Mr. Balfour.
Mr. Campbell-Bannerman.
Mr. Chancellor of the Exchequer.
Mr. Beckett Denison.
Mr. Orr Ewing.
Mr. Goschen.
Mr. Leveson Gower.
Mr. Hubbard.
Mr. Kavanagh.
Mr. Sampson Lloyd.
Sir John Lubbock.
Sir Graham Montgomery.
Mr. Mulholland.
Mr. William Shaw.
Mr. Torr.
Mr. Hussey Vivian.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

MR. DAVID DAVIDSON, called in; and Examined.

Mr. *Davidson.*

6 May 1875.

Chairman.

761. WILL you mention to the Committee with what bank you are connected?—I am connected with the Bank of Scotland, as its Treasurer.

762. Do you appear here to-day with any authority to speak for the Scotch banks generally?—I have with me an extract from a minute of the banks, if I may be allowed to read it: "Extract from the minute of a meeting of the managers of the Scotch banks, held at the Bank of Scotland, Edinburgh, on 30th April 1875. A Select Committee of the House of Commons having been appointed to consider and report upon the restrictions imposed, and privileges conferred by law on bankers authorised to make and issue notes in England, Scotland, and Ireland respectively, the meeting resolved: 'That it is the duty of the Scotch banks to afford the Committee every information on the subject to be investigated, and to render all the assistance in their power to facilitate the inquiry. That with this view Messrs. Davidson, Fleming, and Gairdner be requested to attend the Committee, and give evidence, if the Committee shall so desire. It being impossible for this meeting to anticipate the various matters on which questions may be put to, and opinions be expressed by, witness, it will be understood that such opinions are given on the individual responsibility of the gentlemen who may be examined, but as there are certain general questions relating to the Scotch banking system on which the managers are agreed, it is expedient to indicate these points now, in order to their being submitted to the Committee. Till 1844, the system of banking in Scotland, including the issue of notes, was one of perfect freedom, and was of great advantage to the country. All of the eleven banks now existing were established under that system. The prohibition of new banks of issue by the Act of 1844, and the restrictions imposed on the right of issue by the Act of 1845, were not proposed or sought by the Scotch banks. The people of Scotland have unbounded confidence in the currency and banking system of the country. After

Chairman—continued.

30 years' experience of the working of these Acts in Scotland, the managers are agreed that the result, both as regards the public and the banks, has been, on the whole, satisfactory. The abolition of the existing system of currency would most seriously interfere with the whole banking system of the country. The right of issue enjoyed by the Scotch banks which grew out of a free system, and was not conferred as a special privilege, is a very valuable one, both to the banks and to the country. Its value does not now consist, to any great extent, in the profit accruing to the banks from the actual circulation of notes; it rests in the right to issue notes to such extent as the public may at any time require (subject always to convertibility into coin), whereby the banks are enabled to carry on business at upwards of 800 branches, without the large abstraction of capital which the use of any other circulating medium would entail. Banking, as conducted in Scotland, is subject to the keenest competition among the 11 existing banks, and the result is a lower scale of banking profit than is earned in any other part of the United Kingdom. Should the profits at present earned by the banks suffer reduction, by the withdrawal of the right to issue their own notes, the consequence must be a serious diminution in the peculiar advantages afforded to the public by the Scottish system, particularly in regard to rates of interest, which at present are allowed on all accounts however small and fluctuating, and in regard to the unexampled facilities through the branch offices. For these reasons the meeting is decidedly of opinion that it would be unwise to disturb a system of currency which has existed for nearly two centuries, with which the people are familiar, and in which they have absolute confidence.' This minute was concurred in by the whole of the 11 banks."

763. Before we proceed to ask any questions upon that minute, I think you desire, do you not, to lay before the Committee some statements showing the present condition and extent of Scotch banking?—Yes, I am axious to do so.

764. Would

Mr. *Davidson.*

6 May 1875.

Chairman—continued.

764. Would you, in the first place, desire to make any statement with regard to the joint stock banks and private banks established since the year 1695?—I may mention that it is extremely difficult to get the facts with accuracy, but the result of my examination into the matter is as follows: The Bank of Scotland was established in 1695, the Royal Bank in 1727, and the British Linen Company in 1746. No banks appear to have been established between the last mentioned date and 1760. Subsequently to that date there appear to have been 29 private banks established, and of those 25 failed or ceased operations, and four were incorporated with joint stock banks. All private banks ceased to exist previous to 1845; 39 joint stock banks were established in addition to the above three named. Of those, 12 were incorporated with other banks, and 11 failed or were wound up. Of those which failed only two did not pay their creditors in full, and at the date of failure had, respectively, only nine and three partners. At the date of the passing of the Act of 1845 19 joint stock banks remained, and of these, seven have since amalgamated with other banks, and one, the Western Bank, failed in 1857. There remain at this date 11 banks. The tendency, it will be seen, has been, both before and since the passing of the Act of 1845, for small banks to become incorporated with larger institutions.

765. Can you state what was the number of banks and what their paid-up capital was for each of the years 1845, 1855, 1865, and 1875?—In 1845 the paid-up capital of the 19 banks which then existed was 10,793,415 *l.*; in 1855 it was 11,456,055; in 1865 it was 9,431,000 *l.*; and at the present date the paid-up capital amounts to 9,785,888 *l.*

766. Then has capital been called up between 1865 and 1875?—The amount is less than it was in 1845. That is accounted for by the failure of the Western Bank, which had a capital of a million and a half, and the difference is made up by additions to the capital of some of the other banks since that date.

767. What has been the alteration in the number of banking offices since that period, and in the proportion of the population to each office?—In 1845 the number of the bank offices was 382; in 1855 it was 480; in 1865 it was 654; and at the present date it is 884. The proportion of population to each bank office in 1845 was 6,859, and at the present date the proportion of population to each bank office is 3,800. I may mention further that the number of bank offices may be divided as follows: In Edinburgh there are 42 bank offices; in Glasgow, 84; in 12 manufacturing towns 100; and in other places, chiefly country places, 658. The population in Scotland in 1841 by the census of that year was 2,620,184, and by the last census it was 3,360,018. If you would allow me I would further state with regard to the places where the banks have offices, that there are 73 places with under 1,000 inhabitants, and those 73 places have 97 bank offices. There are 81 places with between 1,000 and 2,000 inhabitants which have 131 bank offices. There are 101 places with from 2,000 to 5,000 inhabitants which have 235 bank offices. There are 36 places with from 5,000 to 10,000 inhabitants which have 122 bank offices. There are 21 places with from 10,000 to 26,000 inhabitants which have 117 bank offices. There are seven places with above 26,000 inhabitants, having 182 bank offices. There are 142 places with one bank only; 75 places with two banks; 42 places with three banks; and 60 with more than three banks; making up the total number of places to 319 in which bank offices have been established.

Chairman—continued.

768. Are you prepared to give a statement of the deposits of the banks in the four decennial periods to which you have referred?—Yes. I may mention at the outset that until 1865 the deposits of the Scotch banks were not positively known. It was in that year that annual statements were first published, which brought out the amount of the deposits, any statements previously made having only been estimates; but I am now enabled to state the whole positively from returns received from the banks in Scotland from the year 1845. In that year the deposits amounted to 33,192,105 *l.*; in 1855 they amounted to 43,270,612 *l.*; in 1865 they amounted to 56,185,061 *l.*, and for last year they amounted to 78,405,261 *l.*

769. Can you state what is included under the term "Deposits"?—The whole of the deposit money is held in two forms in Scotland, that is to say, in what are called deposit receipts and balances on current account. It appears from the figures that I have now mentioned, that the growth of the deposits between 1865 and last year, which is a period of 10 years, amounts to 22,220,200 *l.*, and the total increase since 1845 has been 45,213,156 *l.*

770. Will you state the per-centage amount of the deposits in the different banks in the last year for which you have the account?—The sums deposited, not exceeding 100 *l.*, amount to 15·44 per cent., and represent an amount of 11,768,317 *l.* Then, taking the amounts between 100 *l.* and 200 *l.*, the per-centage is 11·66, and the amount in money is 8,848,503 *l.* Those two amounts for sums not exceeding 100 *l.* and sums not exceeding 200 *l.* amount together to 20,616,820 *l.* Then carrying the figures to sums of 200 *l.* and not exceeding 500 *l.*, there has to be added to the figures which I have already given a per-centage of 19·89, or in money 15,273,242 *l.* The total amount of deposits not exceeding 500 *l.* is 35,890,062 *l.*; that is the whole of the three above classes together. Then adding to those figures sums not exceeding 1000 *l.*, the total amount is 47,959,249 *l.* The balance consists of sums of larger amount, making up the total of 76,243,273 *l.* In making these estimates I have excluded any deposits held in London in order to make the calculations apply to Scotland alone.

Mr. *Orr Ewing.*

771. Can you tell us what the banks have deposited in London?—As regards the Bank of Scotland, of course I am free to state the amount held in deposit, but as regards the National Bank (which I may say was the only other bank established in London when these statements were made out, the Royal Bank having only opened its establishment a few weeks before its last balance-sheet was published,) I am not at liberty to state the amount.

Chairman.

772. Have you a statement which will show what is the amount of deposits over 10,000 *l.*?—Of deposits between 5,000 *l.*, 20,000 *l.*, and upwards, the amount is 19,523,918 *l.*

773. By

Mr. *Goschen.*

773. By "Deposits held in London," do you mean amounts deposited with you in London?—Yes.

774. By London customers?—By London customers.

Mr. *Backhouse.*

775. What is the amount of deposits over 20,000 *l.*?—Over 20,000 *l.* the amount is 3,324,408 *l.*

Chairman.

776. Can you give us the number of depositors?—I had hoped until this morning to be able to give that completely, but unfortunately I have not received returns from the whole of the Scotch banks. I have to-day received returns from six of the banks. First of all I may mention that the total number of deposits in the six banks is 269,732 *l.*; for sums not exceeding 100 *l.* the depositors number 184,123, and for sums not exceeding 200 *l.* the depositors numbered 37,918. The total number of depositors of these six banks not exceeding 200 *l.* amounts to 222,041. My object in taking the smallest sums was to show how completely the business of Scotch banking is extended all over the country, and the masses of people who are interested in it, in the shape of deposits and otherwise.

777. What do you mean precisely when you speak of depositors of sums not exceeding 100 *l.*?—A man may have an account at a bank which at one time may show a balance of 500 *l.*, and at another time a balance of only 50 *l.*; how would you describe such a person?—These returns are taken at a particular date, and the sums which then appear to a man's credit or for which he holds deposit receipts, are the sums given.

Mr. *Anderson.*

778. Is it only deposit receipts that those figures refer to?—No; in these figures I am giving the balances of accounts as well.

Mr. *Campbell-Bannerman.*

779. Can you state what the amount deposited with those six banks is?—I could not do so without reference.

Mr. *Anderson.*

780. Then the number of depositors is valueless, is it not?—Except as showing the number of depositors of small amounts, the number of depositors as above stated is from six banks, and the whole amount of deposits is from 11 banks.

Chairman.

781. You expect to get the returns, do you not, from the other banks?—Yes.

782. When you get them will you be good enough to put them in?—Yes.

783. Have you any statement to make with regard to the money deposited in the savings banks?—I have the amount deposited with the savings banks for 1843, 1853, 1863, and 1873. In 1843 the amount was 830,083 *l.*; in 1853 it was 1,837,856 *l.*; in 1863, including the Post Office savings banks, it was 2,976,691 *l.*; and in 1873, including the Post Office savings bank deposits, which then amounted to 404,768 *l.*, the total was 5,043,376 *l.* I should wish to explain, with reference to these deposits, that I find that in 1874 the savings bank in Glasgow held 2,332,197 *l.*, and the Edinburgh savings bank held 935,091 *l.* My object in making this statement is to show that the greater amount of deposits arises from the larger towns and not from the country.

Chairman—continued.

784. Can you give a return of the notes in circulation in the decennial periods?—The notes in circulation in 1845, which represented the amount of the authorised issue, was 3,087,209 *l.*; in 1855 the average amount was 4,104,582 *l.*; in 1865 it was 4,382,600 *l.*; and in 1874 it was 5,904,586 *l.* These figures are based upon those of the "Gazette."

Mr. *Backhouse.*

785. At what date in 1874?—It is the average of the whole year.

Mr. *Goschen.*

786. Is this an average of the averages taken on the Saturday?—It is, of course, the average taken on Saturday, because it is from the "Gazette." The total increase of note circulation since 1845 is 2,817,377 *l.*

Chairman.

787. Have you any other statement to make with regard to the note circulation during the last 10 years?—It appears from a statement which I have that the circulation during the last 10 years is not liable to much fluctuation, except at the half-yearly terms of Whitsunday and Martinmas.

788. There has been a large increase, has there not, between 1865 and 1875; a much larger increase than in the preceding 10 years?—There has, from the greatly increased trade of the country.

789. Can you state the proportions between large and small notes in circulation at the different periods?—Yes. In 1845 the proportion of notes of 5 *l.* and upwards was 27 per cent., and of 1 *l.* notes 73 per cent. There is scarcely any variation afterwards. There was a decline between 1845 and 1855 as regards the small notes. As I have mentioned, the small notes in 1845 were 73 per cent. of the whole; in 1855 they were 64 per cent., and the small notes have been since, in 1865, 63 per cent., and in 1874, 66 per cent.

790. They have recovered a little during the last 10 years, but they have not come up to the same proportion as they were in 1845?—No; the chief decline seems to have been between 1845 and 1855.

791. Have you any statement to put in, with regard to the average daily circulation of notes?—I have. By the Act of 1845 the monthly average amount of notes in circulation is ascertained by taking the amount of notes in the hands of the public at the close of business upon the Saturdays of each of four weeks. With a view of ascertaining if this plan gives a correct idea of the circulation, returns have been received from five of the principal banks giving the notes in circulation upon each of the 24 days from the 29th March to the 24th April. The result exhibits an average of 3,196,974 *l.*, while the average of the four Saturdays amounts to 3,232,189 *l.*, the difference being 35,214 *l.*

Mr. *Goschen.*

792. Is your statement made so that you could give the highest day?—I have the statement here, but I have only just received it. It is made up in this form as well: taking the four Mondays, four Tuesdays, four Wednesdays, four Thursdays, four Fridays, and four Saturdays, the highest amount is, on the Saturdays.

Mr. *Davidson.*

6 May 1875.

Mr. *Goschen*—continued.

The Tuesdays in that period were 3,206,049 *l.* I think it is not difficult to understand why upon the Saturday the circulation is usually higher than upon other days, because upon that day very large payments are made for wages, and then the circumstance of the banks closing early affords less opportunity for depositing money.

793. Do you include in the circulation the notes which one bank is holding, and which belong to another bank?—The system at present is for the banks to exchange every Saturday, and exactly the same system was pursued during each of those 24 days in order to make the return complete.

794. But when the return is made for the Friday, do the banks reckon the amounts which they hold of the notes of other banks?—Not at all.

795. Or do they reckon the amounts of their own notes which are out, which may be in the hands of other banks?—Certainly. All the notes which are not in our own hands are included in the return without any deduction.

Mr. *Sampson Lloyd.*

796. Does the expression "in our own hands," include the smallest branches?—Certainly.

Mr. *Goschen.*

797. You say that the Fridays show no larger results than the Saturdays; do we correctly understand you that on Saturday morning, on the day on which the exchange is to be made, the amount of notes out in circulation with the public and with other banks is not larger than it is the day before the exchanges are made?—It would probably be larger upon Friday.

798. Is the return that you have read made up in the same way as the return on the Saturday, viz., assuming that the exchange has been made?—The exchange was actually made. Instructions were given to carry out the Saturday system during each of the 24 days.

799. Will you be able to put in a statement showing what, when that exchange was not made, were the amounts of notes out on the various days in the week, and the amounts which, in the ordinary banking practice in Scotland, have been in circulation, including the notes held by banks of each other's before the exchanges are made, in order to show the proportion?—That can be done, but I have not got it yet. I might gain the information from these figures, but it would require some time.

Sir *John Lubbock.*

800. Could you state the amount of notes that are exchanged?—No, I have no information upon that point.

Mr. *Orr Ewing.*

801. Is that return which you have before you a daily return for the four weeks?—This is a daily return for each day of the four weeks.

Mr. *Goschen.*

802. But that is an extraordinary return, is it not?—It is to test whether the Saturday return was a fair return, or whether it would, if taken daily, have produced more or less.

803. And, therefore, it is not to test the comparison between the amount of notes in the hands of the public on the day when you made exchange, and on the days when you did not make exchange, but to test whether, if you had followed the same system every day, it would have been stationary?—Quite so. I may say that I have no doubt that the amount of notes upon the Friday would be larger, because the ordinary system of the exchange of notes would bring that about. The exchange of notes, as now carried out between the banks, is as follows: it takes place in every town where two or three banks have branches once a week, or Saturday; at the larger towns it takes place twice a week, and at Edinburgh and Glasgow three times a week. The rules of the exchange provide that no bank shall issue another bank's notes.

Chairman.

804. Those are rules that are agreed to among the banks, I suppose?—They are, and they are carried out.

805. Can those rules be put in?—Certainly. (*The same were delivered in*, vide *Appendix* 4.)

806. Is it the case that the notes issued by the different banks, including those notes which are lying idle for a time in other banks, sometimes exceed the amount of the authorised issue?—Of course they exceed the authorised issue at all times, because the notes in circulation invariably exceed the authorised issue.

807. They exceed it because part of them are issued on gold?—On gold; they invariably exceed the authorised issue by a large amount.

808. I mean, of course, whether they exceed the gold and the authorised issue taken together?—Between Monday and Friday there might be an excess.

809. I observe in the evidence which was given by Mr. Fleming, that on his being asked whether a larger amount of notes might be issued by the Scotch Banks than would be the case if the amount of gold was ascertained in the same way as it is in the Issue department of the Bank of England, he said that it would be so on account of this system of exchanges; that it was the etiquette of the Scotch Banks that they did not issue the notes of each other; and that accordingly the notes of one bank might be lying from Monday morning to Friday evening in the hands of another bank; that there would, therefore, no doubt be an excess of actual issue if you dealt with the issue as representing the notes which were lying useless in the hands of the respective banks, but that there was certainly no excess of circulation in the hands of the public as distinguished from the banks; do you concur in that view?—I quite concur in that view, but I may state with reference to that question that it will be found that the amount of gold coin held by the banks exceeds the amount that it is necessary for them to hold in accordance with the Act of 1845; and I apprehend that that would quite cover any excess to which you allude now.

810. Can you state the average amount of coin held by the banks in 1874?—The average amount of coin held by the banks was 4,107,627 *l.*

Mr. *Goschen.*

811. Can you give that for the four decennial periods, in the same way as you have given the amounts of circulation and deposits?—I can give the average amount for the five years ending December 1869, and for the five years since that date.

812. Can

Mr. *Anderson.*

812. Can you give the figures for 1865?—No, I have only an average of years.

Mr. *Backhouse.*

813. Was the 4,107,627 *l.* held on the 26th of December 1874?—It was the average amount held during 1874. I may mention with reference to what I stated a few minutes ago that the average amount of coin in excess of the circulation held during last year was 952,311 *l.*

Mr. *Goschen.*

814. That means in excess of the circulation taken on the Saturdays?—Yes.

815. Could you give the minimum and the maximum amounts of coin held, so that we might see the lowest point to which in any given time the coin and bullion fell?—I cannot give you that from any statement before me, but that could be furnished from the "Gazette" returns.

Sir *John Lubbock.*

816. What were the deposits during last year?—About 78,000,000 *l.*

817. What were the acceptances?—I have a full statement taken from the last balance sheets of the banks, which I will hand in. Everything is included in that. (*The same was delivered in,* vide *Appendix* 4.)

Chairman.

818. Will you state what was the amount paid to the Government in 1874 for stamp duties and for licenses to issue notes?—The amount for stamp duties was 24,269 *l.*, and for licenses to issue notes 16,590 *l.*, the total being 40,859 *l.*; and the average circulation during that year was 5,904,586 *l.* That amounts to 13 *s.* 10 *d.* per cent. upon the average circulation; and I may mention that the amount of per-centage paid by the Bank of England, 180,000 *l.* upon its average circula- for last year, is 13 *s.* 8 *d.* per cent.

Mr. *Backhouse.*

819. Do you include the license duties in averaging the 13 *s.* 10 *d.*?—Yes, everything; I should mention that previously to 1845 the privilege of issue was granted on four licenses of 30 *l.* each, and since that date 30 *l.* a year has to be paid for every bank office that is opened.

820. That includes the privilege of issuing unstamped drafts, does it not?—No, not at all; this is simply in connection with the issue of notes.

Mr. *Orr Ewing.*

821. Does it include the expense of printing?—No, this is merely the sums paid to the Government.

Mr. *Torr.*

822. Does it include the amount which you gave us as paid for license of issue?—Yes, for stamp duty on the notes. The notes bear a stamp duty of 8 *s.* 4 *d.* per cent. The amount paid in that shape was 24,269 *l.*, and for licenses to issue notes 16,590 *l.*

Mr. *Hussey Vivian.*

823. Did I correctly understand you to say that each office paid 30 *l.* to the Government?—Each office pays 30 *l.* to the Government.

824. But there are 884 offices, are there not?—There are, but this rule came into operation after 1845. Previously to that date the amount which covered all the offices of each bank was 120 *l.* a year; that is for four licenses of 30 *l.* each.

Mr. *Hussey Vivian*—continued.

825. So that that is deducted from the total sum, because if 884 offices paid 30 *l.* a year each, the total sum would be very much larger than the sum which you have stated?—The sum paid under the old system is included in this amount. We still continue to pay the 120 *l.* a year for those offices that existed previously to 1845, and for all that have been opened since we pay 30 *l.* each.

826. But 884 multiplied by 30 is more than 16,000?—There were a large number of branches in existence before 1845, and all that existed before 1845 only paid 120 *l.*, that is to say, that was the payment by each bank.

Mr. *Goschen.*

827. Then do some banks pay very much more than others?—Yes, those banks that had few offices in 1845, of course, have a larger sum to pay as they open new offices. Some banks in 1845 had a larger number of offices than others.

Mr. *Backhouse.*

828. It is 30 *l.* for every branch opened since 1845, is it not?—Yes.

Chairman.

829. I think you have a statement to give us of the amount of gold coin received from and sent to England during each of the last five years?—In 1870 the amount received from England was 1,260,000 *l.*, and the amount sent away was 1,252,000 *l.* In 1871 the amount received from England was 928,000 *l.*, and the amount sent away was 1,166,000 *l.* In 1872 the amount received from England was 1,545,000 *l.*, and the amount sent away was 1,431,000 *l.* In 1873 the amount received from England was 1,541,000 *l.*, and the amount sent away was 1,741,000 *l.* In 1874 the amount received from England was 1,720,000 *l.*, and the amount sent away was 1,740,000 *l.* The total figures for the whole period are as follows: the amount received from England was 6,994,000 *l.*, and the amount sent away was 7,330,000 *l.* The average of each year received from England was 1,398,800 *l.*, and the average amount sent away was 1,466,000 *l.*

Mr. *Goschen.*

830. By "received" your mean received direct from England, I presume?—Direct from England, from the Bank of England, I may say. I put it from England, because the gold is very frequently supplied from Newcastle as well as from London.

831. The gold that might be paid into you by people coming from England who had brought it in their pockets would, of course, not be included in those amounts?—No; it will be observed that the amount send to England exceeds the amount received; and I account for this excess by the gold which is brought to Scotland for the purchase of cattle and sheep, &c., and also by deposits received from parties resident in the Border Counties of England, in addition to what may be brought by travellers. I may also mention in connection with this part of the subject that large sums have of late years been paid in half-sovereigns for wages, to facilitate the payment; but these do not appear to remain in circulation, and they are quickly returned to the banks. The necessity for bringing the gold from

Mr. *Davidson.*

6 May 1875.

Mr. *Goschen*—continued.

England arises almost entirely, apart from this question of half-sovereigns for wages, from the two term operations of Whitsunday and Martinmas.

Mr. *Backhouse.*

832. I suppose that those amounts come in in May and November principally?—In May and November, the reason being that large payments are made at those two terms, for interest on heritable securities for rents, for wages of domestic servants, and also all, or nearly all payments connected with the transfer of property.

Mr. *Campbell-Bannerman.*

833. It is the practice in Scotland to pay them twice a-year, is it not?—It is.

Mr. *Goschen.*

834. Have you any statement with regard to the number of 5 *l.* Bank of England notes that travel to Scotland and back again?—I have not; we have no means of ascertaining that.

835. You do not think that you could get from the banks the number of 5 *l.* Bank of England notes that had been paid in?—We might; but it really is a very small amount indeed.

Chairman.

836. Have you any general statement or observation to make as to the position of the Scotch banks, as taken from their last annual reports?—I have a full statement before me, showing the paid-up capital, the reserve funds, the undivided profits, the note circulation, drafts and acceptances, deposits, gold and silver coin, and notes of other banks, Government securities, cash with London bankers and short loans in London, Indian Government and other stocks and investments, bank premises, bills discounted, and other advances; those are the heads of the statement.

837. Will you put that statement in?—I will. (*The same was delivered in;* vide *Appendix* 4.)

838. Do you wish to make any statement with regard to the profits of the banks?—I have a statement before me which gives the paid-up capital, the liabilities to the public, and the profits after deducting expenses. This statement is prepared upon the plan which has been adopted by the "Economist," and which I think is easily understood.

839. Will you state generally what the result of that statement is?—The profit for the last year upon the paid-up capital is at the rate of 9 *l.* 0 *s.* 8 *d.* per cent.; that is the net business profit apart from the 4 per cent. which is calculated upon capital and reserve.

Mr. *Sampson Lloyd.*

840. So that the 9 per cent., plus the 4 per cent., shows a total of 13 per cent.?—No, the 4 per cent. is only on the capital and reserve. This form is adopted in accordance with that of the "Economist."

841. Then, in addition to the 9 per cent., they earn the 4 per cent.?—The 4 per cent. is simply upon capital and reserve. The net business profits on the paid-up capital amounted, on an average of the Scotch banks, to 9 *l.* 0 *s.* 8 *d.* per cent.

842. That is, I presume, after debiting the cost of the business with the 4 per cent.?—No, that is a different calculation altogether.

843. Are you aware that English banks, and many other businesses, in making up their accounts do not debit themselves with interest upon

Mr. *Sampson Lloyd*—continued.

paid-up capital, but that they consider their total earnings to include the interest upon paid-up capital?—In making up our statements for the shareholders we follow the same course, but in analysing the statements of the banks, as the "Economist" has done, the separation is made in the way that I have mentioned. The net business per-centage of profit upon the cash deposits is 1 *l.* 2 *s.* 4 *d.*, and the net per-centage upon the total liabilities to the public is 19 *s.* 2 *d.* per cent. This is taken from the amount of profits declared by each bank to its shareholders, and analysed in the way I have mentioned.

Mr. *Backhouse.*

844. Have you got the per-centage on the deposits of the expenses of the banks?—I have not, except in the form which I am now giving you. The whole of the expenses are taken into account before these figures in connection with the net business profits are brought out.

Mr. *Goschen.*

845. Will that statement which you have put in with regard to this, again, show us each bank separately?—This statement shows each bank separately, and if it is wished for, of course it can be put in, because it is taken from the published balance sheets.

Mr. *Sampson Lloyd.*

846. Supposing that I have a capital of 100,000 *l.*, and that after striking a balance of profit and loss, irrespectively of interest on capital, the result is 13,000 *l.* to the credit of profit, in the way in which you put it, would it be 4,000 *l.* interest at 4 per cent. upon that capital, and would the 9,000 *l.* be all that you would call profit?—Yes, the business profit. For instance, take the declared profits of the Bank of Scotland for last year, 175,000 *l.*, the 4 per cent upon the capital and reserve amounted to 56,000 *l.* and then with reference to the net business profits they are, as I mentioned, 11 *l.* 18 *s.* per cent. on the capital, or 1 *l.* 2 *s.* 4 *d.* per cent. on cash deposits.

847. What would be the net business profit in the case of the Bank of Scotland which you have just put?—The net business profit is 17½ per cent.

848. You have given the 175,000 *l.* as the total profit of the Bank of Scotland; what is the net business profit according to your mode of calculating it?—It would be 11 *l.* 18 *s.* per cent upon the capital.

849. The point is, whether the 175,000 *l.* includes both the interest upon capital and the net business profit?—It includes everything.

Mr. *Hussey Vivian.*

850. I take it that the 9 *l.* 0 *s.* 8 *d.* is calculated upon the paid-up capital, is it not?—Yes.

851. Is it calculated upon the paid-up capital?—It is calculated upon the paid-up capital.

852. For every 100 *l.* of paid-up capital 9 *l.* 0 *s.* 8 *d.* was returned?—Yes.

853. Besides 4 per cent., which is not considered as trade profit?—Quite so; 4 per cent on the capital and reserve.

Mr. *Goschen.*

854. Is the average between the 11 banks the average of the per-centages, or is it the average of total profit added up, because that would

Mr. *Goschen*—continued.

would probably make a very great difference?—I have taken the total declared profits of each bank, and this gives the result of the whole.

Mr. *Orr Ewing.*

855. You have taken the total profits and the total capital?—I have taken the total profits and the total capital belonging to each bank.

Mr. *Campbell-Bannerman.*

856. Do you apply that to the aggregate profit and the aggregate capital of the whole of the banks?—No, I take what each bank has paid first upon its paid-up capital; the business profit I mean, apart from the 4 per cent. upon the capital and reserve; also the per-centage of profit upon its cash deposits and liabilities to the public.

Mr. *Goschen.*

857. I think that you have answered my question, but in order that there may be no misunderstanding I should like to state it again if the Committee will allow me; the profit of one bank may be a very large amount, and the profit of another bank may be a very small amount; for instance, one bank may have made 11 per cent., and another bank may have made 13 per cent.; in such a case, would you, in making your calculations, take the average as 12 per cent., or would you say that as the profit of the one bank was so much larger than the profit of the other, or so much smaller, as the case might be, the profit would not be 12 per cent., but 11½ per cent., or 12½ per cent., or whatever might be the proportionate figure?—I take the actual figures of profit made by each bank.

Chairman.

858. Supposing that one bank has a capital of half a million, and that another bank has a capital of three-quarters of a million; you add those two together, and you say that they have made so much profit in the aggregate between them, and that is so much upon the total capital of the two banks?—I take the profits declared by each bank, and putting aside 4 per cent. on the capital and reserve, I find what each bank has earned in the shape of net business profit upon its capital; another calculation is made of profits on cash deposits, and a third upon the total liabilities to the public.

Mr. *Backhouse.*

859. Do you take earned profit or divided profit?—I take declared profit, not divided profit.

Mr. *Hussey Vivian.*

860. Will you kindly give me the total paid-up capital?—9,697,000 *l.*

861. What is the total profit?—That I have not got added up. I merely give you each bank, and take the result. I could ascertain the total declared profit by adding it up.

862. Then it manifestly has not been calculated as an interest account is calculated, by days?—No.

863. I merely used the words "interest account," because that is a common account which is well known to men of business, and I think that is the way in which the question was put; you have averaged the per-centages, and not taken the gross amount of profits upon the paid-up capital?—The statement is not made in that form, but it can easily be made in that form.

864. In which form is it made; is it made by averaging the per-centages, or is it made by taking the gross profit upon the gross paid-up capital?—In neither way exactly. Take, for instance, as I said before, the Bank of Scotland; its declared profits were 175,000 for last year; 4 per cent. upon the capital and reserve amounted to 56,000 *l.*; then that deduction left 119,000 *l.*, which, divided in the form I have mentioned, shows a net business profit first of all upon the paid-up capital of 11 *l.* 18 *s.*

865. Now, will you take another instance of some other bank?—I will take the North of Scotland Bank, the declared profits of which were 45,000 *l.*, and the amount of 4 per cent. upon the paid-up capital was 17,000 *l.*, leaving 28,000 *l.* of profit apart from the 4 per cent. which is supposed to have arisen from the capital and reserve.

Chairman.

866. What per-centage is that?—That would leave 8 *l.* 15 *s.* per cent. upon the paid-up capital.

Mr. *Hussey Vivian.*

867. In averaging the profit made by those two banks, do you average the two ultimate profits, or do you take the gross profit and calculate that upon the gross capital?—I take per-centages, as I have now stated.

Chairman.

868. That is to say, you add 8 *l.* 15 *s.* in the one case, and 11 *l.* 18 *s.* in the other, and then divide by two?—Yes. I should be glad if Mr. Gairdner, who is my colleague in this matter, and who has given great attention to these calculations, and who has, in fact, prepared them for me, were called, so that you might hear him upon them.

Mr. *Backhouse.*

869. Is this after deducting bad debts, or before?—The declared profits are always after providing for bad debts.

Mr. CHARLES GAIRDNER, of Glasgow, called in; and Examined.

Chairman.

870. WILL you state what position you occupy?—I am Manager of the Union Bank of Scotland.

871. The Committee will be glad if you will explain to them the principle upon which the average of the net profits of the Scotch Banks is ascertained?—The principle is this: the total amount of the capital of the Scotch banks is found to be about 9,000,000 *l.* (I need not be particular about the figures). The total amount of the declared profits in the year under consideration here is found to be about 1,000,000 *l.* Four per cent. upon the capital and reserve is in the first place deducted, and the balance, being the aggregate profits of the banks, less 4 per cent. upon their capital and reserves, is applied in the first place to the capitals of the

Mr. *Gairdner.*

6 May 1875.

Chairman—continued.

banks, and found to bring out 8 *l.* 19 *s.* 6 *d.* per cent. of net business profit.

872. Then the net profit is not ascertained by averaging the per-centage of each bank, but by calculating the net profit after deducting 4 per cent. upon the gross capital of the banks?—Quite so; the capital and reserved profits. The figures are taken from the "Economist" newspaper; they are not made up just now for this Committee at all. The "Economist" newspaper has applied this principle for years to the London banks, and for the last two years to the Scotch banks, and their figures are the figures which are now being placed before you. They have not been prepared for this Committee, but they are taken from the "Economist" newspaper, published in February last. (Vide *Appendix, No.* 6).

Mr. *Orr Ewing.*

873. Have you checked these figures to see if they are correct?—I did so at the time that they were published, but I have not checked them lately. I have no doubt that they are perfectly correct.

Sir *John Lubbock.*

874. Then adding the 4 per cent., what is the exact amount?—As I find it in this statement, the net business profit of the Scotch banks in the year 1873 was 8 *l.* 15 *s.* per cent. upon their capital, and in the year 1874 it was 8 *l.* 19 *s.* 6 *d.* per cent.

875. And with the 4 per cent. that would bring it to how much?—I do not know that that is stated here.

876. It would be in fact about 13 per cent., would it not?—It would be about 13 per cent., but not upon the capital. The 4 per cent. is taken off the reserved profit as well as the capital.

877. Upon the whole capital and reserve the profit would be 13 per cent., would it not?—I should say so.

Mr. *Sampson Lloyd.*

878. And on the reserve not bearing dividend it comes to more than 13 per cent?—Of course.

Sir *John Lubbock.*

879. The last dividend of the Bank of England was, I think, at the rate of 9 per cent., was it not?—I do not know as to that, I think it was 10½ per cent.

Mr. *Backhouse.*

880. The net profit of the Scotch banks was 8 *l.* 19 *s.* 6 *d.* plus the 4 per cent.?—Yes; the figures that I have just given are perfectly correct. The net business profits of the Scotch banks, after deducting 4 per cent. upon the capital and reserves, were last year 8 *l.* 19 *s* 6 *d.* per cent. upon the aggregate capital amounting to 9,697,000 *l.*

Mr. *Torr.*

881. It is important to distinguish between the amount upon which you calculate the profit of 8 *l.* 19 *s.* 6 *d.* and the amount upon which the 4 per cent. is deducted, because you say that 4 per cent. is deducted, not only from the capital, but from the deposits or reserves?—The principle is this: that the banks' own funds consist of their capital and reserved profits; those are invested, and the dividend received upon them is assumed at 4 per cent., and is rightly deducted from the gross profits in order to ascertain what are the pure profits of banking. That is the principle, and that principle worked out brings out 8 *l.* 19 *s.* 6 *d.* per cent. upon the capital of the banks as the pure business profit earned in Scotland last year.

Mr. *Orr Ewing.*

882. What is the amount of reserve of all the banks?—The total amount of the reserved profits according to the balance sheets of. 1874, was 4,016,000 *l.*, and the capital was 9,697,000 *l.*

Mr. *Goschen.*

883. So that if you were to calculate the whole of the profit upon the capital of the bank instead of calculating it upon the capital plus the reserve profits, of course it would show a very much higher dividend, would it not?—We are not speaking of the dividends paid by the banks; that is a totally different matter.

884. But it would show a very much higher business profit, would it not?—No, the true business profit earned by the banks is 8 *l.* 19 *s.* 6 *d.* per cent. upon the capital.

885. It would show a very much higher per-centage then?—Yes, it would be a very much higher per-centage. In addition to the pure business profits, there is added then the interest upon the bank's own funds, and that makes up the dividend.

886. For instance, if I take the Bank of England, where the rest is 3,000,000 *l.*, the dividend of the Bank of England would be pulled down if you said that they must make their dividend upon that 3,000,000 *l.* as well as upon the capital of the shareholders; but this statement of yours makes up the accounts in this way: that upon the accumulated profits which have not been paid away, that is to say, upon the reserve fund, you calculate a business profit as well as upon the capital paid by the shareholders?—No doubt.

887. Could you prepare a statement for us, showing how the per-centage of business profit would turn out if it were calculated upon the capital of the shareholders alone?—This 8 *l.* 19 *s.* 6 *d.* is upon the capital of the shareholders alone.

888. I mean the paid up capital of the banks, not including the reserve funds?—This 8 *l.* 19 *s.* 6 *d.* is the pure profit applied to the capital, exclusive of the reserved profits. This principle of calculation is that which, I understand, is commonly used in all mercantile houses. You first take off the interest upon the capital of the firm before you arrive at the pure profits. The funds of the partners here consist partly of capital and partly of reserve profits. Upon that 4 per cent. is calculated and deducted, and the balance is held to be the pure profits of banking.

889. Are you aware that in the Bank of England they do not charge 4 per cent. upon the 3,000,000 *l.* of reserve fund?—The Bank of England do not make up any statement like this at all and publish it; but the same system applied to the Bank of England would work in this way: The capital of the bank is 14,000,000 *l.*; the rest is 3,000,000 *l.*; that is 17,000,000 *l.*; 4 per cent. upon that is 680,000 *l.*, and that would be deducted from the profit declared by the bank, which, assuming the dividend to be 10 per cent., would be 1,400,000 *l.* From the 1,400,000 *l.* you take off 680,000 *l.*, being the interest upon the bank's own funds, leaving 720,000 *l.* to represent the pure profit earned by banking.

890. If

Mr. *Orr Ewing.*

890. If you calculated your profit upon the principle of adding the reserve fund to your capital, the dividend would appear to be smaller than upon the principle which you have adopted, would it not?—No doubt.

Mr. *Anderson.*

891. The 4 per cent. is always added to the rest, and goes on accumulating, does it?—No; it is merely a mode of presenting the accounts, and of arriving at what is the pure business profit of banking.

Mr. *Orr Ewing.*

892. You divide the 4 per cent. as well as the business profits?—Of course we do. It is a mere mode of ascertaining what is the pure business profit.

Mr. *Goschen.*

893. What average rate of dividend do you pay to the shareholders?—The average dividend would be 8 *l.* 19 *s.* 6 *d.* per cent. upon the capital.

894. But you would also distribute to the shareholders their share of the 4 per cent., would you not?—Of course you have to add the 4 per cent. upon the capital and rest, to arrive at that.

895. What would be the actual dividend?—That would require a calculation. It would take a little trouble to work it out, but it could be easily ascertained.

Mr. *Hussey Vivian.*

896. It would be close upon 15 per cent., would it not?—I understand that you want to know what the dividend upon capital and reserves together would amount to.

Mr. *Goschen.*

897. Given your total profits, and dividing them amongst the shareholders, what per-centage upon the capital would you really pay to the shareholders?—That can be easily ascertained.

Mr. *Mulholland.*

898. If you capitalised the reserved profits, the dividends would amount, I think, to about 15½ per cent.?—Possibly so. In order to ascertain what were the pure profits of Scotch banking in 1873, applying the pure business profits to the cash deposits of the bank, we find that that brings out a per-centage of 1 *l.* 1 *s.* 11 *d.* as the margin of banking profit. If I may put it in this way, the bank is supposed to be an intermediate party between two sections of the public, one having money to lend, and the other having occasion to borrow, and the bank has its profit by giving a lower rate of interest than it gets. Out of that margin of profit, the bank in the first place pays its expenses, and the surplus is held to be the net business profits, after deducting therefrom 4 per cent. upon the capital and reserves. The amount so brought out is found when applied to the cash deposits of the bank, the funds held by the bank from the public, to amount to a per-centage of 1 *l.* 1 *s.* 11 *d.* as the net margin of business profits earned by the bank.

Mr. *Backhouse.*

899. Including acceptances?—No, I am speaking now of cash deposits alone.

Mr. *Hussey Vivian.*

900. That is calculated on the deposits?—Yes, that is calculated on the deposits; that is to say, that speaking in round numbers, the 80,000,000 *l.* which the Scotch banks hold from the public, is lent, or invested, or held in cash, and the difference between the rate received and the rate given upon that 80,000,000 *l.* yields a clear profit to the banks of 1 *l.* 1 *s.* 11 *d.* per cent.

901. After deducting all charges and 4 per cent.?—After deducting all charges and 4 per cent. upon the capital, and reserved profits.

Mr. *Backhouse.*

902. And including profit on note circulation?—Including every kind of profit. This rests upon the declared profits of the banks. The whole profits earned by the banks, summed together and applied to the deposits held from the public, give the banks a margin of 1 *l.* 1 *s.* 11 *d.* per cent. per annum.

Mr. *Torr.*

903. This would be a statement, I imagine, severing the deposits as a separate account in the banker's books from any other part of your profit on your capital; you are dealing with deposits only?—With deposits only. The net profits earned by the eleven banks in the year 1874, after paying expenses, was 1,411,000 *l.* That included the interest upon the capital and reserved profits, which, being taken at 4 per cent., amounted to 550,000 *l.*; and that being deducted left what I call the net business profits from banking at 861,000 *l.* Then one test (I do not put it as the only test), as to how far that is too large or too small a profit, is to apply that to the cash deposits held by the banks, and having so applied it, we find that it is equal to a profit of 1 *l.* 1 *s.* 11 *d.* per cent. per annum upon the aggregate cash deposits held by the bank.

Mr. *Sampson Lloyd.*

904. In the term "deposits," do you include all balances held on account of the public generally?—Yes.

Mr. *Hussey Vivian.*

905. If you had let your money out at an interest of 1 *l.* 1 *s.* 11 *d.* less, you would have made no profit at all?—Exactly so. Then to apply it to the total liabilities of the bank, including notes and acceptances, and everything in the shape of liability to the public, as distinguished from the proprietors, the net margin of business profit is equal to 18 *s.* 11 *d.* per cent. per annum. That consists in the first place of cash deposits, secondly notes, and thirdly acceptances.

Mr. *Sampson Lloyd.*

906. The total liabilities, in fact, are the deposits, plus the notes and acceptances?—Exactly so; the total liabilities to the public.

Mr. *Torr.*

907. Could you give the Committee the amount of notes and acceptances?—The notes were 7,000,000 *l.*, and the acceptances were 5,500,000 *l.* This mode of testing the per-centage of profits earned by the banks is, as I say, taken from the "Economist" newspaper, and has been adopted here for the purpose of bringing out the contrast between the Scotch system and the English system in regard to the net business profits earned by the banks; and I start, therefore, with the assumption that I have explained that in Scotland in 1873 and in 1874 (it happens, curiously enough,

Mr. *Gairdner.*

6 May 1875.

Mr. *Torr*—continued.

to be precisely the same in both years) we had a margin of 1 *l.* 1 *s.* 11 *d.* per cent. upon our cash deposits. Again, taking the figures of the "Economist" newspaper, I find that the eleven London joint stock banks who have funds to a somewhat larger amount, the deposits being, I think, 96,000,000 *l.*, had, in 1873, a margin of profit, calculated in the same way, of 1 *l.* 6 *s.* 3 *d.*, and in 1874 a margin of 1 *l.* 1 *s.* 3 *d.*

Mr. *Goschen.*

908. In order to make the comparison complete, could you state what is the proportion of capital to deposit in the case of the Scotch banks, and in the case of the eleven London joint stock banks?—I have the per-centage of capital and reserve profits in each case thrown together. I have not got the capital separately, but I will give it to you as I have it. The per-centage of capital and reserve profits to cash deposits was, in the case of the eleven Scotch banks 17·8 per cent. In the case of the eleven London joint stock banks it was 12·8 per cent.

Sir *John Lubbock.*

909. Could you put in the expenses too?—In speaking of profits I have throughout spoken of net profits, that is to say, profits after paying expenses.

910. Could you put in the actual expenses?—The London banks give them, but the Scotch banks do not give them. That is a very important point, undoubtedly. I should think that the Scotch bank expenses may be taken as nearly as possible at 1 per cent. upon the amount of the cash deposits.

911. I dare say that you would be able to ascertain the expenses?—No, they are not published, so that I can only tell you from any banks which choose to inform me; but, judging from our own experience, and from what Mr. Davidson, and one or two of the officers of other banks have told me, I think that the total expenses of the Scotch banks come as nearly as possible to about 1 per cent. upon the amount of their cash deposits held from the public.

912. I do not wish to ask you any question that I have no right to ask, but are you speaking for your own bank?—I am speaking for our own bank and for one or two others, who have told me how they stand in that matter. Perhaps 1 *l.* 1 *s.* per cent. would be nearer, but it is about 1 per cent., I think, upon the cash deposits. In regard to the question as to the per-centage of net business profit borne to the capital of the London banks, I find that it comes to 11 *l.* 1 *s.* 10 *d.*,

Sir *John Lubbock*—continued.

and that it was earned from cash deposits amounting to 96,000,000 *l.* In the case of the Scotch banks the per-centage of business profit to the capital was 8 *l.* 19 *s.* 6 *d.* earned from cash deposits amounting to 77,000,000 *l.*; in both cases after deducting the 4 per cent. I am speaking of net business profit. The contrast ought, however, to be made rather between the Scotch system and the English provincial system than between the Scotch system and the London system. I find, by taking such balance sheets of the English provincial banks as I have been able to find (I have got the balance sheets of 10 provincial banks of issue and of 11 provincial banks without issue) that, applying the same mode of calculation to their profits, the 10 provincial banks of issue have earned upon their cash deposits a margin of 1 *l.* 19 *s.* 4 *d.* per cent., and that the 11 English provincial banks without issue have earned a margin of 1 *l.* 10 *s.* 9 *d.* per cent., or, if I throw the 21 banks together, banks of issue and banks without issue, the average per-centage comes out at 1 *l.* 13 *s.* 2 *d.* The result is that the 10 English provincial banks of issue show that they make a larger profit than the 11 Scotch banks of issue by 17 *s.* 5 *d.* per cent. per annum.

Mr. *Goschen.*

913. Have you the proportions of the capital and deposits in those cases?—I have. The cash deposits of the 21 banks amount to 78,000,000 *l.*, the capital amounts to 8,670,000 *l.*, and the reserve amounts to 3,900,000 *l.* The per-centage of net business profits to capital comes out at 14 *l.* 19 *s.* 5 *d.* over the 21 banks, but the margin of net business profit in favour of the English provincial banks of issue, adopting those 10 banks as the test, is equal to 17 *s.* 5 *d.* per cent. per annum. That applied to our 77,000,000 *l.* of deposit would give if the banking system in Scotland were similar to what exists in England, a difference of about 670,000 *l.* per annum.

Sir *John Lubbock.*

914. That is, of course, after allowing for bad debts?—That is taking the declared profits of the banks all round, after allowing for all bad debts, and after paying all expenses.

915. And therefore it might well be that the profit was not larger in the one case than in the other, but that the bad debts were smaller?—That I cannot tell anything about.

916. But might not the difference of profit be to some extent accounted for by the difference in the amount of bad debts?—Yes.

Monday, 10*th May* 1875.

MEMBERS PRESENT:

Mr. Anderson.	Mr. Kavanagh.
Mr. Backhouse.	Mr. Sampson Lloyd.
Mr. Balfour.	Sir John Lubbock.
Mr. Campbell-Bannerman.	Sir Graham Montgomery.
Mr. Chancellor of the Exchequer.	Mr. Mulholland.
Mr. Beckett Denison.	Mr. Mundella.
Mr. Orr Ewing.	Mr. William Shaw.
Mr. Goschen.	Mr. Torr.
Mr. Leveson Gower.	Mr. Hussey Vivian.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. DAVID DAVIDSON and Mr. CHARLES GAIRDNER, called in; and further Examined.

Mr. *Davidson*, and Mr. *Gairdner*.

10 May 1875.

Chairman.

917. (To Mr. *Gairdner.*) I THINK you wish to offer some further explanation in answer to the last question but one, put to you by the honourable Member for Maidstone (No. 915), when he said that it might well be that the profit was not larger in the one case than in the other, but that the bad debts were smaller?—Yes, I did not catch at the moment the precise import of the question, which seems to convey almost an inference that the Scotch banks lost more money by bad debts than the banks of England; I wish expressly to say that I do not believe that there is the slightest foundation for such a supposition as that; I believe that the banks have been very free from bad debts for a considerable number of years, speaking of them as a whole.

918. Do you desire to complete the statement which you commenced, showing the contrast in the results of banking in England and Scotland?—I should like to do so; I do not think I stated on Thursday the fact that in selecting the 21 English provincial banks from whose balance sheets the figures had been taken from which I spoke, I took the balance sheets of all the banks that I could find whose liabilities exceeded a million and a half; I have put in the following papers, and they were handed to the printer on Friday: First, an analysis of the published balance sheets of the 11 Scottish banks for 1874; Secondly, an analysis of the published balance sheets of the London Joint Stock Banks (those two having been made up from the figures of the "Economist" newspaper); and thirdly, an analysis of published balance sheets of the English Provincial Banks, whose liabilities amount to a million and a half in the case of each bank. The aggregate amount of the liabilities of these 21 English Provincial Banks is 78,000,000 *l.*, and the comparison therefore, so far as the amounts are concerned, seems to be fair, seeing that the Scotch banks' liabilities come out at 77,000,000 *l.*, and the London Banks' liabilities come out at 96,000,000 *l.*

919. Have you any further observations to make upon this point?—Yes; on Thursday I

Chairman—continued.

stated what might be held to be the estimate of loss that would accrue to the people of Scotland by the adoption of the English margin of banking profit. I now propose to state what the estimate of gain to the people of provincial England would be by the adoption of the Scottish margin of banking profit. In approaching that I find that I am without any accurate statement of the deposits in the provincial banks in England, but I have the assistance of Mr. Palgrave's very useful publication, in which he, after a very careful estimate, arrives at the conclusion that the amount is somewhere about 200,000,000 *l.*, and I think that that must be held to be a very moderate estimate, seeing that it embraces a population which, I should think, is considerably in excess of 15,000,000, excluding London and its suburbs, as compared with 3,300,000 of population in Scotland, where the deposits come out close on 80,000,000 *l.* I think the amount must be very much under-estimated, but I take it as stated by Mr. Palgrave. That includes private banks and joint stock banks in provincial England. Upon the basis of that estimate of 200,000,000 *l.* I apply to it the margin of profit shown to be earned by the 21 English provincial banks of which 10 are banks of issue and 11 are banks without issue, and whose aggregate liabilities on deposits are 78,000,000 *l.* The margin of profit shown by their balance sheets after deducting expenses and bad debts and 4 per cent. upon the capital and reserve profits, is 1 *l.* 13 *s.* 2 *d.* per cent. The margin of profit of the 11 Scotch banks as calculated in the same way is 1 *l.* 1 *s.* 11 *d.* per cent., and the difference is 11 *s.* 3 *d.* This difference applied to the assumed amount of 200,000,000 *l.* of deposits would give a gain of 1,125,000 *l.* per annum. I have put in a statement, which is in the hands of the printer, showing that in detail, and I propose to put in this statement (*the same was handed in*, see *Appendix*). I do not know that I have anything else to add upon that branch of the subject.

920. Can you give us any illustration from the history of the Union Bank, of the manner in which the smaller banks have been absorbed?—I can

Mr. *Davidson*, and Mr. *Gairdner*.

10 May 1875.

Chairman—continued.

I can. The Union Bank of Scotland with which I am connected has, more than any of the other large banks, absorbed into its system the old private and smaller joint stock banks in Scotland, and no doubt the Committee are aware of the difference in the law of 1845 affecting Scotland, from the law of 1844 as affecting England in that respect; that is to say, that full permission is given to two banks to amalgamate without the loss of any of the advanteags which they had under the Acts; and it appears to have worked in Scotland very satisfactorily both to the banks and to the public. The head quarters of the Union Bank of Scotland are in Glasgow, with a head office at Edinburgh, and 116 branches throughout Scotland. The bank was established as a joint stock bank in 1830, under the name of the Glasgow Union Banking Company. The capital is 1,000,000 *l.*, the whole of which is paid up; and the liability of the partners, of whom there are more than 1,200, is unlimited. The business and importance of the bank were greatly increased by the policy early followed by the Board of Directors of buying up the old established private banks, and consolidating those concerns with their own. In 1836 they took over the Thistle Bank of Glasgow, which was established in 1761. In 1838 they purchased the business of the Paisley Union Bank, established in 1788, and of Sir William Forbes, J. Hunter and Co., founded, in Edinburgh, in 1694, under the name of John Coutts & Co., and from which Coutts & Co., and Herries, Farquhar & Co. of London, were offshoots. In 1843 they amalgamated with the Ayr Bank and the Glasgow and Ship Bank; the former dating from 1771, and the latter, in part, from 1750. In 1843, the name of the bank was changed to the Union Bank of Scotland. In 1849, the business of the Aberdeen Bank, dating from 1767, and in 1857 that of the Perth Bank, dating from 1766, were joined with the Union Bank. Those amalgamations have been of much value to the bank, and have proved of great public advantage, the older organisations being no longer adapted to the altered conditions of trade. In no respect has the public suffered, all the old banking offices having been kept open, and many more added throughout the country.

921. You wish, I think, also to explain the manner in which the reserves of the bank are maintained?—It will, no doubt, be understood that the purpose and function of the reserves of banks are in order to meet the engagements of the banks, and in order that they may do so it is necessary that they should be ready not only at the time, but at the place where those engagements fall to be paid. The place where the engagements of the Scotch banks require to be met is London, and perhaps it may be useful that I should explain how that comes about. In Scotland, supposing that a debt has to be paid, there are only two ways in which it can be done; it must either be done by payment in cash, that is to say in coin, or it must be done by means of a document which shall have the effect of transferring from the debtor to the creditor a claim upon a bank for the amount of coin. Supposing that the payment is made in coin, then of course the amount (take it at 1,000 *l.*) would be handed over in the shape of a bag of sovereigns, amounting to 1,000 *l.*, and transferred from the banker of the debtor to the banker of the creditor; but that, of course, is a thing that is done very seldom, and is

Chairman—continued.

so cumbrous and troublesome that it is not likely to be done upon any large scale. The usual mode of settling debts is by means of a document, and that document, whether it be a cheque or notes got from the bank of the debtor, or whether it be a bill, is paid by the creditor to his banker and by his banker is passed through the clearing house. Supposing that A. is the debtor and that B. is the creditor, then the banker of A. pays for the notes which come against him or for the cheque, if it be a cheque, that comes against the bank; and assuming that the transaction is in Glasgow or in any other town in Scotland other than Edinburgh, the bank pays by giving its draft to the other bank upon the Edinburgh office of the bank, Edinburgh being the head quarters for all clearing house purposes of the banks in Scotland. The banker of B. then sends this draft to his office in Edinburgh, and it is passed through the Edinburgh clearing house and again appears against the banker of A., who then pays it by a draft upon his London correspondent. In that way all the transactions in Scotland that are settled for by means of notes, cheques, bills, or in fact in any way, excepting by coin, ultimately centre in London and are paid by drafts upon the correspondents of the Scotch banks in London. Out of this arises the necessity for the Scotch banks keeping reserves in London, and accordingly large sums are always maintained available to meet those obligations which are coming forward constantly through the clearing house.

Mr. *William Shaw*.

922. That is not what is usually called the reserve fund of a bank, is it?—We were on Thursday speaking of the reserved profits, which is a totally different matter.

Mr. *Sampson Lloyd*.

923. What we call the reserve fund in ordinary English parlance is the reserve capital?—I mean the cash reserves to meet engagements. These reserves that I am now speaking of are kept, I believe, by all the banks; first, in the form of a balance to their credit with their correspondent in London; secondly, in the form of loans at short dates to bankers and bill brokers, and others in London; and thirdly, in the form of Government securities and other securities which are easily realisable when required, and in that way they are enabled to meet all the obligations which come against them through the operations in Scotland.

Mr. *Balfour*.

924. How would that reserve be used to meet a panic or a run upon a bank?—It would depend upon how the run showed itself; if the run consisted of a run for notes which were paid by the parties who had withdrawn them into other banks than the demand upon the bank upon which the run was made, would come ultimately against them through the Clearing House in London, just like any other obligations.

925. How would it be if the run were for coin?—If the run were for coin, then the bank in Scotland would bring down coin from London; it would draw out the money which it has at its credit in London with a banker A., B., C., or D., and take the coin to Scotland for the purpose of meeting the run.

926. So that there is no reserve kept in Scotland at all?—There is a large reserve of coin

Mr. *Balfour*—continued.

coin which would be available for a short time, but if that coin proved insufficient, then the coin would necessarily be brought from London; and I perhaps ought to add, that there seems to be nothing of an unduly artificial nature in this arrangement; London is the bullion mart of the country, precisely as Liverpool is the cotton mart of the country, and it is in London where the stores of gold are kept, and most conveniently kept, because it is in London where the foreign exchanges are adjusted, and paid, and received; therefore London being the natural mart for bullion, it is natural and proper that the banks should keep their reserves there, and when the need comes that they should withdraw what is after all their own money for the needs that they have in London or in the country; but the amount of gold required in the country is a very small matter except at particular seasons.

Mr. *William Shaw*.

927. What you have stated is not peculiar to Scotch banks, is it?—I am only speaking for the Scotch banks; I have no doubt that the English bankers will explain their own case.

Mr. *Goschen*.

928. Will you explain to the Committee the phrase "there is a keen competition amongst the Scotch banks" as used in one of the statements put forward by one of the Scotch banks; and will you also explain how that competition acts?—In the first place it has been explained that the banks agree upon a tariff, as it were, of rates; and upon the basis of that tariff a very keen competition is maintained; the tariff, as I think I have shown, brings to the banks a very small margin of profits, and the competition is based upon the tariff.

929. In a general sense, competition means that by offering either higher or lower terms you compete against each other; but, as I understand, you all offer the same terms to the public?—The same terms.

930. Will you explain what form the competition takes; you do not either raise or lower your terms against each other, as I understand?—No, we do not.

931. Neither as regards interest nor as regards commission?—No.

932. There is the strictest agreement, I believe, between the banks?—Quite so.

933. Is there any bank in Scotland that stands aloof from the combination?—No.

934. But with reference to the branch banks at Edinburgh, for instance, the Oriental Bank, how does the matter stand?—They are no parties to our arrangement; they compete with us in the deposit branch of our business, and upon totally different terms; they take money for long terms and at fixed rates.

935. Have they branches?—I believe they have.

936. Their business is of a totally different character, I presume, from that of the 11 Scotch banks?—Totally different; they only compete with us for our deposits, and that upon different terms.

937. I presume that they only compete for the larger class of deposits?—I cannot speak to that.

938. Probably the Scotch banks would have found it out, would they not, if the Oriental Bank had interfered with them in the smaller

Mr. *Goschen*—continued.

class of deposits?—I do not know that we have the means of finding out as to that.

939. As regards the peculiarly Scotch part of your business, that is to say, what has been described to us as the draining of the country of deposits (in a satisfactory sense, I do not use the word "draining" in any hostile sense), do those institutions at all take part in that process?—I am not aware that they do to any great extent; our money is all held at call, and they have no money so far as I know held at call.

940. Need the Committee in their consideration of this question take into account the bearing of these branches in Edinburgh of the Oriental Bank, or of the Colonial Bank?—It is an important fact that they are there as bankers competing with us for deposits, but the conditions upon which they borrow are quite different from ours.

941. Could they compete with you except at Edinburgh and Glasgow and the large centres?—Yes, they may put down branches where they please.

942. But could they practically do it?—I think so.

943. Without having 1 *l.* notes?—Certainly.

944. Would you be able to conduct your business without 1 *l.* notes?—We should be able to conduct our business, but whether it would have any effect upon the business conducted, I cannot tell.

945. Do you attach great importance to the possession of the 1 *l.* note circulation?—It is part of an old system that has grown up. It is not easy to tell how far the 1 *l.* note is essential, but certainly it is so regarded by the people of Scotland.

946. But from a banking point of view (because this is really one of the most important questions before the Committee), what degree of value do you attach to retaining the power of issuing 1 *l.* notes and of holding 1 *l.* notes in your branches, and the privileges which result therefrom?—I have no authority to speak on behalf of other banks in regard to this.

947. Will you give us your own opinion on this, which is a most important question for the Committee to consider?—There is no doubt that in Scotland generally, it is regarded as a very important feature of the system, and it is a great economy.

948. Speaking as a manager of a bank, do you attach either very great, or great, or comparatively little importance to this privilege?—I should say that the importance of it is not so great now as it was at one time. It has its importance still, I should think.

949. It is not all important then?—It is not all important.

950. Is it very important?—I should say so; I have not come here with any authority to answer, nor am I quite prepared to give you a distinct answer upon this point, but it has its importance.

951. We shall be obliged, of course, to ask the representatives of all the banks this question, if you cannot speak for them, because it is a question which is very important for this Committee?—It would be much more satisfactory to me to communicate with the other banks before giving an answer to the question.

952. (To Mr. *Davidson*.) Will you state whether you consider the privilege of issu-

Mr. *Davidson*, and Mr. *Gairdner*.

10 May 1875

Mr. *Goschen*—continued.

ing 1 *l.* notes very important to the Scotch bankers?—Most decidedly so; I have stated in my evidence the large proportion of small notes that are in circulation as compared with those of 5 *l.* and upwards. By the last "Gazette" return the small notes amounted to 3,744,000 *l.* and the large notes to 1,965,000 *l.* only; the small notes enter into all the daily transactions of the country; and to deprive us of the power of issuing those notes would be not only a very considerable loss to the banks, as I am prepared to show, but it would, also, I think dislocate the whole system; I look upon the privilege of issuing small notes as really the keystone to the whole fabric; it has proved so hitherto. If we were deprived of the power of issuing those notes another currency would require to be found which, of course, would be an expense to the country and also a loss of profit to the banks themselves, and that loss of profit could only be compensated for by higher charges to the public in one shape or another, either by giving less for our deposits or by charging more for the loans we make. Therefore, from my point of view, small notes enter largely into the question of the right of issue throughout. I am prepared to state what the calculations are which the banks have made with reference to their issue generally; but in the meantime I have no hesitation in saying that, both from a banking point of view as regards profit, and in the interests of the public, it would be a very unfortunate event were the banks deprived of the power of issuing 1 *l.* notes; the community have been familiar with the system during the last 180 years; they have known no other, and they have had no cause to feel anything but unbounded confidence in the system as it prevails.

953. I wish to pursue the inquiry now mainly from the banking point of view, and not so much from what I may call the general public point of view; I understand you, as regards the banking point of view, to say that the profits from the right of issue are appreciable, and that higher charges would have to be made to the public if they were withdrawn?—That would be the only way in which the banks could recoup themselves for the loss which they would suffer.

954. Then if another bank, without having that right of issue, and without having 1 *l.* notes, were to attempt to compete with you, not having that source of profit which you say is essential to the bank, and at the same time not being able to charge the higher rates of commission, it would, practically, be unable to carry out such competition, would it not?—I think it would from that cause; but also from another cause which has been adverted to, namely, the keen competition which exists among the banks.

955. Then I may take it for granted that, looking at the action of the 11 Scotch banks and to their right of issue, in your opinion it would not be easy, even if it were at all possible, for another bank without that right of issue to compete with them?—Coupling with that the circumstances which I have mentioned of the great competition that exists between the banks, it would not.

956. In fact, your argument is this, that with the great competition that exists there is no great margin for profit to the Scotch banks as it is, and that there would be less margin if the right of issue were withdrawn?—Distinctly so.

957. And, therefore, that if English banks were to attempt to compete with you in Scotland, without the right of issue, they could not practically make it pay?—I think so.

958. I may assume, therefore, from your evidence, that it is only a nominal argument to say that English banks are free to go to Scotland; that is to say, that though they are free by law to go to Scotland, the monopoly enjoyed by the Scotch banks practically excludes them?—No new banks have been established since the Act of 1845. A number of banks have been incorporated with the 11 which now exist; but there has been no demand for new banks. If that demand had existed, those banks which have been absorbed by others would have afforded an excellent opportunity of supplying the demand, because they had the right of issue; but I mention this as evidence that the country is so fully banked that, independently altogether of the other question, there has been no inducement for a long period to establish new banks.

959. And the privilege of issue is what really enables the Scotch banks to keep up their system and their present rate of charges?—Quite so.

960. (To Mr. *Gairdner*.) Will you state how far you agree with the evidence given by Mr. Davidson, and if not, where you disagree with it?—I agree with the evidence given by Mr. Davidson; but I base what is called the monopoly of the Scotch banks not so much upon the right of issue as upon the low scale of profit which we make. We know that in Ireland the same law has not excluded the formation of new banks, and I attribute that to the larger scale of profit which they make, and therefore I think it is the low scale of profit in Scotland which is the cause of our not having new banks established there since 1845.

961. Do you agree with the evidence which has been given, that there is an appreciable profit in the right of issue?—No doubt; it is most important.

962. If then your profits are low, and those profits arising from the right of issue were withdrawn, you would be less able to carry on your business than you are now?—Certainly.

963. And therefore any other bank coming into Scotland has not only to contend against the low profits which you state fall to the lot of the Scotch banks, but they have also to contend against the fact that while the existing Scotch banks derive their profits from this right of issue a new bank would be without that profit?—Clearly.

964. And as a fact, no English bank has been able to establish itself in Scotland?—Not to maintain itself; we have had some small banks established, but they have always ceased to exist after a short time.

965. I think I understood you to say that it was not really from the monopoly that you derived your protection against other banks, but from your low charges?—Exactly so.

966. Then I presume that you would not so very much object to the monopoly being withdrawn, so that under similar arrangements to yours other banks should be allowed to issue notes?—Speaking entirely for myself, I think the withdrawal of the monopoly would have very little

Mr. *Goschen*—continued.

little, if any, effect. I do not think any new banks could afford to live at the scale of profit that we make.

967. Your dividends to your shareholders have not been unsatisfactory, have they?—Not at all.

968. Then why do you maintain that the scale of profits is so low?—Because the margin of profit is so low. I think the cause of the absorption of the smaller banks by the larger banks has chiefly been this: that with our small scale of profit magnitude is an essential element of success. It is the magnitude of the business of the existing banks which enables them to maintain themselves upon a small scale of profit, and there has been a steady and important increase of deposits as Mr. Davidson submitted on Thursday.

969. Does the business of the Scotch banks increase very much?—Very much indeed.

970. Then would not that increase of business give room for other banks?—I think not. I think that any new bank must for years have a very small business, and would hardly survive the period of infancy.

971. But new banks have been started as every one knows in large numbers in England; do you base your opinion that, even if there were no monopoly in Scotland, new banks would not be able to get on, upon the ground that in Scotland they have already more banks than can well live?—I put it down to the fact that the margin of profit is so small, and the whole country is so thoroughly occupied, that there is no opening for new banks.

972. Then, so far as you can speak for your bank, you would not object to the throwing open of the monopoly?—I am speaking individually, and not as representing the bank. I could have no authority to represent the bank in such an opinion, but speaking individually, I do not see that the withdrawal of the monopoly would have any effect. No doubt in speculative times we might have new banks starting up, but I do not think they would long survive.

Mr. *Campbell-Bannerman*.

973. By "withdrawal of the monopoly," you mean not taking from you any privileges that you possess, but extending those privileges to others?—Quite so.

Mr. *Goschen*.

974. Can you conceive any reason why, in Ireland, other banks have been able to start, and that in Scotland it has been impossible, except the reason that you have given, viz., that in Ireland there were not so many banks as there were in Scotland?—I know of no other; but I do not know the case of Ireland thoroughly, and there is a good deal in the fact, that in Scotland the country is completely occupied by banks.

975. With regard to the competition of English banks, without the power of issuing in Scotland, they would have to conduct their business, would they not, either with notes of competing banks or with gold, which the country would not care for?—Quite so.

976. And an English bank coming to Scotland, would be obliged to supply itself with the currency of the country, which alone the country appeared to care for?—Undoubtedly it must.

977. And that, I think, you would frankly and

Mr. *Goschen*—continued.

fairly allow to be a great drawback to an incoming bank?—I should say it would be a great drawback.

978. I have asked some questions with reference to the value that you attach to the power of issuing notes as a whole. Do you attach value to the power of issuing notes against the coin that you hold, beyond the authorised issue?—Yes; I think that is very important.

979. Would you give the Committee your reasons for thinking so?—The reason is that it leaves the banks practically free as they were prior to 1844, with the single restriction that they must retain coin to the extent required by the Act of 1845.

980. Why is that an advantage?—It is a great advantage. The banks in Scotland are free to issue whatever quantity of notes the public require, provided that they maintain at their head office an amount of gold equal to the excess beyond their authorised circulation.

981. You can hold the gold, can you not, at the centre, and you can hold the notes at your branches?—We must hold the gold at the centre.

982. And therefore the gold being held at the centre covers, what may be called, the irregularities of issue, that is, the irregular issue of notes at the branches?—There is no irregular issue; we are free to issue whatever amount of notes the public require, and we are required to hold gold at our head office, in terms of the Act of 1845.

983. I do not mean by "irregular," contrary to law, or contrary to regularity, but I mean the issue of notes above and below an average; if there comes any special demand above the regular demand at a branch, that is covered, is it not, by your being able to hold your permanent stock of bullion at Edinburgh as against it?—Quite so. Speaking in round numbers every bank has printed and ready for use probably double the amount of notes that it has in the hands of the public. Those are held at the various offices of the bank, and are ready for use if required; and that no doubt is a great advantage.

984. And, as we have heard, on certain days, before the exchange takes place, quite in accordance with the law, you are able to issue even more notes than the authorised amount of notes and the coin together?—True; but that resolves itself simply into a question of trouble. If the banks chose, instead of having exchanges, once, twice, or thrice in a week to have exchanges once every day, the point you now refer to would not arise. It is simply a question of trouble.

985. Do you think that if you had to exchange every day you would be obliged to hold more gold?—Not to any material extent; I think not at all.

986. But in a time of crisis, when it was a question of days, might it not be important?—Unless the crisis led to a large increase in the amount of notes in the hands of the public, I do not see why it should have any effect at all.

987. In the case of a run, might it not be important?—In the case of a run for notes, the notes would be passed at once into the hands of other banks. There has never been a run upon all the banks at the same time. If there was a run upon one bank, the notes taken from that bank would pass into the other banks, and would be at once returned by those other banks to the

Mr. *Davidson*, and Mr. *Gairdner*.

10 May 1875.

Mr. *Goschen*—continued.

banks which issue them, and they must pay then.

988. Supposing that there is a run upon one bank, that its notes pass into the hands of another bank, that the day for exchange has not arrived, that it is one of the days when no exchange takes place; would not that other bank feel it its duty in order to protect itself to send in those notes at once?—That case has never arisen in Scotland.

989. But as a bank manager, what should you say to it?—I should say that dealing with the banks as we have them, I should wait till the exchange day; for whatever the public might think, I should have no apprehension about the notes being perfectly good in the long run.

990. You would rely upon the banks that held the notes of other banks in their hands not parting with them in order to change them into gold, even if there were a panic and the fear of a failure of a bank?—I think so.

991. In the case of the Western Bank of Scotland, did it not appear as the result that the notes in the hands of the public, and of the other banks together, was larger than the amount on the exchange day?—Yes, the amount at the date when the bank stopped was larger than at the date of an ordinary exchange day.

992. Can you state the amount?—I cannot.

993. That would show, therefore, would it not, that the authorised issue of notes, and the actual amount of notes which appears to stand against the banks, as published on the exchange days, do not fully represent the liabilities that may be incurred in time of a panic?—Notwithstanding the fact to which you refer, of the Western Bank having a much larger issue on the day of its stoppage than it would return upon an ordinary exchange day, I am not aware that the Western Bank infringed the Act of 1845.

994. I gather from this fact, which was shown at the time of the stoppage of the Western Bank of Scotland, that the liabilities of banks on their bank notes may at times be considerably in excess of the published average of the week?—Certainly.

995. Is that due only to the notes in the hands of other banks, or can it be due to other causes also?—I should say that it must be due to the notes in the hands of other banks; I cannot, of course, tell you who held those notes of the Western Bank, but I should say that the excess of notes was held by the other banks.

996. Then would it be fair or not, if one takes the aggregate liabilities of the banks after an exchange day on their notes, to calculate that on other days those liabilities will probably have been larger?—I think so, certainly.

997. And if you wished to take the average circulation of Scotch banks, would it be fair to take it rather above the averages of the Saturday, because that being the exchange day, is the lowest day in the week?—According to our present system of exchanges that is so; but supposing that we altered that, and adopted the system of daily exchanges, then the amount of notes shown to be issued at the close of each day from Monday till Saturday would correspond with the Saturday return as nearly as possible, so that it resolves itself into a question of trouble among the banks.

998. But as a matter of fact, the liabilities may be higher, and would probably be higher, but for the system of constant exchanges?—Yes.

Mr. *Goschen*—continued.

999. I would now call your attention to the Paper which Mr. Davidson has put in with regard to the assets and liabilities of the banks; the total liabilities of the banks by this account are 105,000,000 *l.*; will you state to the Committee what the gold and silver coin and notes of other banks amounted to at the same time?—£. 6,300,000

1000. Will you make any deductions from that 6,300,000 *l.* that ought to be made, in order to show what there is besides the gold and silver coin and the notes of other banks?—Mr. Davidson reminds me that these figures are taken from the balance sheets of the banks published at various dates, and that they do not give you the actual amount of gold and silver coin and notes of other banks held at any particular day in all the banks.

1001. Would they represent a fair average?—I cannot answer that question; I have no reason to suppose that they would not, but I cannot say.

1002. At all events it is true for each bank separately?—It is true for each bank separately.

1003. The Bank of Scotland, for instance, has 14,000,000 *l.* of liabilities, has it not?—That includes, you will observe, the liabilities to the partners in the bank.

1004. I mean what are commonly called liabilities in all banking; you take the total liabilities?—It depends upon your object. The liabilities to the public are a very different thing from the liabilities to the proprietors.

1005. From the total of 106,000,000 *l.*, you would have to deduct 14,000,000 *l.* in round numbers, would you not, as the paid-up capital and the reserve fund?—Yes, and the next column also.

1006. That would leave in round numbers a little over 90,000,000 *l.*?—Yes.

1007. And against that the gold and silver coin, and the notes of other banks, would be 6,300,000 *l.*?—Exactly.

1008. (To Mr. *Davidson.*) I observe in the notes that this gold, silver, and notes, include cash balances with London and country bankers in one case, and the balances due by correspondents in three other cases; will you explain that note?—First of all allow me to remark, as has been done already, that this statement exhibits the position of the banks as put before their shareholders at their last annual meeting, and extends over a period of a year, commencing with April 1874 down to April 1875. Therefore it is very difficult to take the figures together, except in a very general way. The remark that you have made is quite true with reference to the peculiar mode of stating their balances. Various bankers adopt various systems, and, therefore, I am not prepared to go into the statements of each bank. I am here to give any explanation with reference to the Bank of Scotland figures, but not with reference to the other banks separately and individually.

1009. Upon some questions, I understand that you represent the feeling of the banks generally?—Yes, upon some questions; but I could not have got the information which would have enabled me to answer your question, unless the Scotch banks had made up a special balance sheet at a certain date.

1010. Would you go so far as to say that the statement which has been put into the hands of the

Mr. *Goschen*—continued.

the Committee, showing the total liabilities of the Scotch banks, may be taken as correct within a few millions?—Quite so; but with reference to the mode of making up the statement of what are called the reserves, there is a great difference.

1011. At all events the gold and silver coin and notes of other banks cannot have been more than 6,300,000 *l.*; there are certain deductions to be made according to this statement, but that would be the maximum, I suppose?—Yes, I have no doubt that it would be the maximum.

1012. Is there any information that you can give with regard to how much of this consisted in the notes of other banks?—No, I have no information upon that subject generally. It would be impossible to ascertain it.

1013. Could you tell me how it would be with regard to the Bank of Scotland?—Yes, in the last balance sheet of the Bank of Scotland, on the 27th of February last, the gold and silver coin and the notes of other banks is stated to be 426,056 *l.* Of that amount, 36,417 *l.* consisted of the notes of other banks.

1014. Then you had 390,000 *l.* in gold and silver coin against your total liabilities?—The total liabilities consisted first of all of the note circulation and also of drafts, deposits, and acceptances, which amount, I think, to 12,880,000 *l.*

1015. Against which there are 390,000 *l.* in gold and silver coin?—Quite so; and the notes of other banks, which I consider equivalent to coin.

1016. But you could not pay them out?—I could not pay them out, but I could demand the coin or its equivalent.

1017. But that is the very point as to which I asked another witness; that is to say, whether you would, under pressure, demand the coin from other banks?—Not except under very extraordinary circumstances. We must wait for the exchange day, when the settlement takes place by drafts in London.

1018. Your note circulation on that day was 626,000 *l.*?—Yes.

1019. Would you kindly state what your authorised issue is, and deduct it from the 626,000 *l.*?—£. 343,000, in round figures, is the authorised issue.

1020. That leaves about 290,000 *l.*, I think?—Yes.

1021. Then your position was this: that you had on that day issued against coin 290,000*l.*?—Yes; representing the excess over the authorised issue.

1022. On that day your coin amounted to 390,000 *l.*?—Yes.

1023. Therefore the 290,000 *l.* representing the over-issue of notes, your gold and silver coin available for general purposes was 100,000 *l.* against your liabilities of 12,880,000 *l.*?—Yes, quite so.

1024. Your liabilities were 12,880,000 *l.*, and the coin at your command for immediate purposes was 100,000 *l.* in round figures?—Yes, in one way of putting it.

1025. Will you put it now in your own way?—I wish to explain that the gold which the banks are required to hold under the Act of 1845 is really held against the whole liabilities. It fulfils two purposes; it is held against issues, and it is held also against the other liabilities of the bank; therefore I am unable to take the view which you have now given me of the matter.

1026. You would follow me, I think, in this

Mr. *Goschen*—continued.

view: that but for the privilege of issuing notes against coin, unless you have altered your arrangements, you would only have 100,000 *l.*?—I cannot admit that at all. If the Bank of Scotland was not obliged to hold gold in accordance wtth the Act of 1845, representing the excess of its issues, it would certainly hold a larger amount than you have represented as against its other liabilities.

1027. The privilege then of issuing against bullion does relieve the banks in a certain sense in their view from the necessity of holding such large reserves in coin as they would otherwise hold?—Quite so.

1028. You would object to the amounts held against the notes being deducted, and the remainder being shown as only available for the general purposes of the bank?—Quite so.

1029. Will you state to the Committee what is the per-centage of the gold and silver coin and the notes of other banks to your banking liabilities?—About 3¼ per cent., I think.

1030. Your gold and silver coin and the notes of other banks are 3¼ per cent. of your total liabilities?—Quite so, from that point of view.

1031. I have not calculated the per-centages of the other banks, but is the Bank of Scotland on the whole a fair representative of the other banks as regards these points?—I should think it was, but I have not made any calculation. Of course there are banks which require to hold a larger amount of gold than the Bank of Scotland, because their authorised issue is less, and of course they hold proportionately more gold.

1032. Do you happen to have seen the proportion of bullion to liabilities in the Bank of England?—Yes, I have seen it.

1033. I see that lately it stands at about 39 per cent; the difference would be, would it not, that you would rely upon the power of getting bullion from England?—In estimating the sum necessary for the Bank of Scotland to keep as a reserve against its liabilities, I must include other items, viz., Government securities, cash with London bankers, and short loans in London. Those amounted at the date of this balance sheet, to 3,225,165 *l.*

1034. Would you also take the next column?—No; I only take those funds which I regard as immediately, or nearly immediately, available for any demand that there might be upon the bank; and taking those items which I have mentioned, they amount very nearly to 30 *l.* per cent. of the liabilities of the bank, consisting of about 12,000,000 *l.*

1035. Of course, in that case, if you wanted to compare the position of your bank with that of the Bank of England, you would have to take similar items in the case of the Bank of England?—Quite so; but if I wished to compare the position of my bank with the position of large London banks, I find myself in a more favourable position than they are.

1036. Then you do not hold that an issuing bank ought to be, as regards liabilities, in any different position from an ordinary joint stock bank?—The issues of the Bank of Scotland are, comparatively, quite trifling as compared to its other liabilities. The amount was only 626,000 *l.*, as against liabilities, altogether, amounting to 12,000,000 *l.*

1037. Do you consider as a general rule that banks of issue which are responsible for the

Mr. *Davidson*, and Mr. *Gairdner*.

10 May 1875.

Mr. *Goschen*—continued.

currency of a country, ought to be conducted upon different principles from those upon which an ordinary joint stock bank is conducted?—Looking to our system, as a whole, I can see no reason why they should be differently conducted. I think, on the contrary, that our system points to this; that we require a much smaller amount of reserve than large banks in London. Take our deposits spread all over the country, 64 per cent. of them, or thereabouts, representing sums not exceeding 1,000 *l.*, and from one year's end to the other, having few, I might almost say no, fluctuations of any magnitude, it appears to me that the Scotch banks require a much less amount of reserve, although they hold an equal amount to, if not more than, an ordinary banking institution in London where there are very large sums deposited, which would, if withdrawn, cause inconvenience.

1038. May I fairly add, then, to that statement that that is mainly so long as the Scotch banks are doing the business in Scotland which they have hitherto done?—I think so long as the system is maintained as it is now that it will be so.

1039. You have drawn a distinction between the operations of the London banks and your own; and you say that a great London bank would be in a different position as regards its reserves, and would have the necessity for larger reserves?—I think so, looking to the amount of their deposits and to the much larger amount of the separate deposits in those banks.

1040. Which of the Scotch banks have got branches in London?—The Bank of Scotland, the National Bank, and the Royal Bank.

1041. You have a branch in London?—We have a branch in London.

1042. Is the business which you do in London of magnitude?—No, it is very trifling indeed, comparatively speaking.

1043. Are you as yet affording great banking facilities to London customers?—We are not.

1044. Pray do not answer any question which I put that you would prefer not to answer; do you contemplate, if you remain in London, extending your London business and offering facilities to London customers?—I have no difficulty in answering the question. Perhaps I ought first to explain the objects which the Bank of Scotland had when it opened a branch in London. But, in connection with that subject, I think it right to mention that when the bank was established in 1695 its directors were one half in London and one half in Scotland; it had an establishment in London for eight or nine years, and then it was withdrawn. I merely mention that as part of the history of the bank. The necessity for the Scotch banks keeping their reserves in London has been already mentioned here to-day; and I may add to that, that the tendency has been of late years for Scotch commercial houses to open London accounts. The directors of the Bank of Scotland came to the conclusion that the reserves of the bank being so much increased lately in consequence of the larger amount of deposits which it holds, they would prefer to manage these reserves themselves rather than through agents; and they also wished to avail themselves as far as possible of what I have mentioned regarding the practice of opening accounts by Scotch houses in London. But in addition to these reasons the bank hoped that it might also participate in London business. It felt that it had an undoubted right to be in London, and it saw no reason why it should not look forward to participating in London business. I mentioned on Thursday last that during the last 10 years the deposits of the Scotch banks had increased to the extent of 22,000,000 *l.* It has been found difficult to employ the whole of these banking resources in Scotland, and it has been necessary, therefore, to a very considerable extent, to use them in London. This formed another inducement to the directors of the Bank of Scotland to open a branch in London.

Mr. *Goschen*—continued.

1045. The way in which we came to this point was through the position of the bank as regards the proportion of reserves in your sense of liabilities. I understood you to say that this was to be justified in the case of a Scotch bank, because they had no large London business; but would you, as an issuing bank in Scotland with a large London business, consider it proper to limit your reserves to the small sum at which they stand with your exclusively Scotch business?—I am not prepared to admit that they are small; and if the bank increased its business in London beyond the small amount that it has now reached, following the same course it has hitherto done, its reserves would be proportionably increased.

1046. You do not think that the 3½ per cent., including the gold held against notes, is a small proportion, looking to the general position of your business?—I think not, because I am unable to take that view of the subject; I must look beyond the 3½ per cent. represented by gold to the reserves which the bank holds in London.

1047. Then you rely on London for a large proportion of your reserves?—Unquestionably.

1048. Then the Scotch banking system, I understand, is not a self-contained system by which you can manage without extraneous help, but you are able to conduct your business by falling back upon the bullion in the Bank of England?—I wish to explain first of all that Scotland affords no means of employing reserves. The system of banking there differs very materially from what it is here, from the absence of an outside market. Each of the banks have their own customers, and the competition that has been alluded to arises chiefly out of the desire to retain those customers. Of course we rely upon London for the repayment of the moneys which we have placed there.

1049. You are relieved from the necessity in Scotland of holding a considerable amount of bullion, because the banking arrangements in London enable you to get bullion when you want?—Quite so.

1050. But for that, I presume, you would not be content to hold so little coin yourselves?—I do not think that we occupy a different position from what a London bank does. It has a certain amount at its credit with its bankers, with the Bank of England usually, and we are in precisely the same position.

1051. Though you are practically responsible for the whole currency of Scotland, you think that you occupy no different position with regard to the necessity of holding bullion to meet 1 *l.* notes, from the banks in London which do not issue at all?—In addition to the coin which is held in Scotland, it can be supplemented within 12 hours from London if the necessity arose.

1052. That is to say, so long as you can get gold?—

Mr. *Goschen*—continued.

gold?—So long as we have balances which can command gold.

1053. But you rely upon other people for it, and not upon yourselves?—We have placed the money in the hands of others, and therefore we rely upon them.

1054. Are you employing the money remuneratively in London or unremuneratively; is it laying there as a reserve, or have you lent it out?—I have mentioned that part of the reserves are employed in Government securities, part in cash balances, and part in short loans.

1055. Out of your 3,226,000 *l.* in the Bank of Scotland, represented by Government securities, cash with London bankers, and short loans in London, how much was cash at the bankers?—I could not say from memory, and I do not know that I should be justified in stating the amount, but if it is necessary for the inquiry which the Committee are making, I am quite ready to state it. I may state that with regard to Government securities, the policy of the Bank of Scotland has been to hold from a million to a million and a quarter of consols. The other items of course depend upon circumstances at the moment.

1056. Do you consider that the privileges of the issue of the banks in Scotland have been increasing or decreasing in value lately?—As the business of the country increases, and as our deposits increase, the right of issue becomes more valuable, because it enters into all the transactions of the country; but the increased issue does not add directly to our profits; it merely gives additional facilities for the carrying on of our business.

1057. It gives additional facilities for carrying on additional business?—Quite so.

1058. And the additional business, I presume, gives additional profit?—Quite so.

1059. Therefore indirectly I presume it increases in value?—It increases in indirect value.

1060. (To Mr. *Gairdner.*) Do you think that it has increased greatly in value since 1845?—There are two ways in which the issue is valuable; there is the direct profit in respect that there is no interest paid upon it; and there is the indirect profit which I tried to explain, by having the use of the notes at our branches. The direct profit is not increasing, but is seriously diminishing, because while the portion which is authorised and upon which we have the advantage is limited, the taxation is upon the total amount of our active issue, which is always increasing year by year, and therefore the direct profit from our issue is less now than it was 10 or 20 years ago.

1061. Do I correctly understand that the taxation is upon your total issue?—Yes; we pay 8 *s.* 4 *d.* per cent. per annum on our active issue.

1062. And therefore the larger the proportion of the notes issued against coin to the notes issued without coin, the authorised issue, the less is the direct profit upon the authorised issue?—Clearly.

1063. Could you place before the Committee any estimate of the profit of the Scotch banks on their issue?—It can be done roughly, but I have not made any estimate of it. The authorised issue is, in round numbers, 2,750,000 *l.*; that may be held in the first place directly profitable, and if you take that as worth 3½ per cent. it would be equal to about 100,000 *l.* a year. On the other side, that is chargeable in the first place with the cost of maintaining the whole issue, averaging about 6,000,000 *l.*, and then you have to charge it with the stamp duty upon 6,000,000 *l.*, which is 8 *s.* 4 *d.* per cent., and you have further to charge it with the license duty; the license duty and the stamp duty together, as Mr. Davidson stated, amount to 13 *s.* 10 *d.* per cent. upon the amount of the active issue. Then you must add to that something over 10 *s.* per cent. for the expense of maintaining the circulation; and we find, I think, that it costs in taxes and in the expense of maintaining the issue about 1¼ per cent. upon the total amount of the active issue, which is 6,000,000 *l.*

Mr. *Goschen*—continued.

Mr. *Davidson*, and Mr. *Gairdner.*

10 May 1875.

Mr. *Orr Ewing.*

1064. Then you make cost of the circulation about 2 per cent. and the profit about 3½ per cent., and therefore the net profit is 1½ per cent.?—This 1¼ per cent. is chargeable against 6,000,000 *l.*; that would give you 75,000 *l.* a year.

1065. In making up your statement, upon what ground do you base the 3½ per cent.; the circulation of the notes is not more profitable than your deposits, is it?—I think that 3½ per cent. is a fair rate to take it at.

1066. Do you mean to say that the average of deposits in Scotland is 3½ per cent.?—No.

1067. Supposing that you got your circulation for nothing, could it be of more value to you than your deposits?—It is like a deposit without interest.

1068. And therefore the proper way to arrive at the profit derived from a circulation of 1 *l.* notes, is to take the average of deposit rates?—That can be done. (Mr. *Davidson.*) This calculation was based upon 3½ per per cent., because it represented somewhat under the return from the whole investments of the bank.

1069. That is including the profit, but you are dealing with an article which is to cost you so much, and your deposits you say cost 2 per cent.; that is the deposit rate at present, is it not?—Two and a half.

1070. If your average deposit is 2 per cent., can you say that the privilege of issuing your notes is beyond what the average of the deposit is?—The authorised circulation affords a certain amount of funds; and in making this calculation we estimate those funds of 2,750,000 *l.* as yielding the banks 3½ per cent., which we thought was a very fair way of putting it.

1071. That includes the profit of the bankers, does it not?—If it were invested in Government securities, it would be 3¼ per cent.

1072. (To Mr. *Gairdner.*) Supposing that you had no privilege of circulating 1 *l.* notes at all, and that you got the money from the public, and paid 2 per cent., where would be the advantage of circulating 1 *l.* notes at 3½ per cent.?—I do not think that the question of rate is important at this stage; you may take any rate you like. The calculation which I understand is wanted, can be brought out on the basis of any rate that the Committee think right; but this calculation is taken at 3½ per cent.

Mr. *Goschen.*

1073. Would you not consider that the value in Scotland of being allowed to issue against notes, was greater than the privilege of holding the same

Mr. *Davidson*, and Mr. *Gairdner*.

10 May 1875.

Mr. *Goschen*—continued.

same amount of money on deposit?—Supposing that you had 100,000 *l.* of liabilities on notes, or 100,000 *l.* of deposits, which you would have to pay back to the depositors, which would be the more valuable transaction?—The notes, undoubtedly, because you pay no interest upon them.

1074. Do you not calculate that the privilege of issuing notes is a more permanent advantage?—They are both permanent; they have both been steadily increasing, but you can hardly say that one is more permanent than the other.

1075. Then I do not see why you calculate a greater amount of profit and a higher rate of interest upon the notes than upon the deposits?—It can be calculated at any rate. You must fix some rate if you wish to bring out a result, and we take 3½ per cent., be it right or wrong. (Mr. *Davidson.*) The 3½ per cent. was taken as representing fairly the return which the Scotch banks gain from the use of their resources, and the calculation is made upon the 2,750,000 *l.* of authorised issue. The calculation presumes that the right of issue is done away with; the Scotch banks would then lose what they are enabled to gain from the authorised issue of 2,750,000 *l.*; and they would require, under a new system, to hold a stock of notes and coin; notes of the Bank of England, or any other bank of issue, as working stock, in order to carry on their business. It has been calculated that the eight large banks, in order to work the business of their whole branches, would require a stock of at least 300,000 *l.* each, making together 2,400,000 *l.* The three smaller banks would require, we estimate, 500,000 *l.* Taking those figures together, it would appear that 2,900,000 *l.* of working stock of notes and coin would be required; that is merely for the purpose of providing what may be called "till money." In addition to that amount we calculate that we should require to hold a reserve of gold or cash balances without interest, presuming those balances to be with the Bank of England, of 1,000,000 *l.*, the total amount being 6,650,000 *l.* Taking that sum at 3½ per cent., it brings out 232,750 *l.* From that we deduct 1½ per cent. on the present circulation of the Scotch banks, amounting to 73,277 *l.*, bringing out the net annual direct loss to the Scotch banks of 159,473 *l.* In making this calculation we have not included the amount of gold which it would, under such a system, be necessary for the banks to hold against their other liabilities. This is an important consideration from the banking point of view.

1076. Have you made any estimate of what the last item would be?—I have not. I have before stated that we should require to hold a considerable portion of the 4,000,000 *l.* which the banks now hold in gold under the Act of 1845, if the requirements of the Act did not exist. I have merely stated what we estimate would be necessary for the working of the banking system under a State or Bank of England issue. I have not of course made any estimate as to the indirect disadvantage to the banks which we think would arise from so complete a change of system throughout the country.

Mr. *Beckett Denison.*

1077. How many branches are there affiliated to the 11 Scotch banks?—There are 884 offices altogether, including the 11 head offices.

Mr. *Beckett Denison*—continued.

1078. And the notes are not demandable at any but the head offices?—They are not.

1079. And in time of panic they would be refused?—That event has never occurred, and I cannot conceive that they would be refused.

Mr. *Goschen.*

1080. Do you attach a pecuniary value to the privilege of the Scotch banks to hold gold generally against their liabilities instead of its being ear-marked for the particular purpose?—I do.

1081. Will you explain shortly to the Committee what value you attach to it?—The Scotch banks now hold about 4,000,000 *l.* of gold upon an average during the year; this they are required to do in accordance with the Act of 1845. To what extent they would hold gold did that Act not exist, I am not prepared to say; but my impression is that they would not hold such a large amount of gold, having their reserves in London immediately available for any demand that might arise in connection with their deposits. To the extent of any reduction there would be an advantage, because the money at present absorbed in gold might be employed otherwise in London.

1082. I think you have misunderstood my question; you have answered such a question as this, have you not? "What disadvantage rises to the banks of Scotland from having to hold gold in excession over the authorised issue?"—Quite so.

1083. My question was this: What advantage, if any, do you derive from your being allowed to hold the gold, not specially against the notes, but against your general liabilities?—The question, I think, if I understand it rightly, implies very much the same as I understood the previous question to do. If we were not required to hold gold I think a less amount would be held.

1084. You still do not understand the question. The Scotch banks must now hold gold to represent the notes above the authorised issue, but when they have got that gold, as I understand, it is not specially hypothecated to the note holders, but it would go against the general liabilities in case of accident?—Yes.

1085. What disadvantage would arise to the Scotch banks if the gold had to be specially held against your excess issues, instead of being held as now against your general liabilities together?—That appears to involve a new principle, and I should require to consider the point, more especially as I have had no opportunity of consulting the other banks upon the subject.

1086. Then you would prefer not answering questions upon the value of the privilege which the Scotch banks enjoy of being allowed to hold their gold against all their liabilities, instead of against the special notes?—It is of course difficult to estimate what the value would be, because that would really depend upon the amount which the Scotch banks thought it necessary to hold as against their other liabilities.

1087. Would you consider that you would have to hold more gold than you do now?—Decidedly not.

1088. At an earlier period of your examination I asked you a question involving this point: we took the excess of the bank notes over the authorised issue, and we took from the amount of coin held by the Bank of Scotland an equal amount, and then there remained 100,000 *l.*

over

Mr. *Goschen*—continued.

over to represent your general liabilities. I understood you at that time to say, that that 100,000 *l.* would not be enough, in your judgment, if the other had to be specially hypothecated against the bank notes?—Quite so. I did not understand the previous question to allude to any hypothecation of gold, or any portion of it. (Mr. *Gairdner.*) I understand that the question involves the securing of the notes, and that is the new principle which I understand Mr. Davidson refers to as requiring consideration. It seems a very important principle.

1089. (To Mr. *Davidson.*) I am not now inquiring into the importance of the principle, but I am inquiring into the banking fact, whether if the gold were hypothecated to secure the notes specially, and therefore could not be touched for the other purposes, if the excess issues were treated simply as counters representing the gold in the tills of the banks, you would then be obliged to hold more gold?—Decidedly.

1090. I will not pursue the question of principle, which is an important one, as Mr. Davidson prefers not answering it; the Bank of England note is not a legal tender in Scotland, is it?—It is not.

1091. Without reference to policy, would you see any banking disadvantages in making the Bank of England note a legal tender in Scotland?—I should not; Bank of England notes have no currency in Scotland, and I cannot imagine any benefit that there would be from making them a legal tender.

1092. My question was whether it would be a disadvantage to the Scotch banks?—I am unable to see in what way it would be a disadvantage to the Scotch banks.

1093. Does your bank do any business in the North of England?—None.

1094. You would not be able to give us any evidence with regard to the 1 *l.* notes in Cumberland?—None whatever.

1095. With reference to the point of competition, will you explain to the Committee what form the keen competition takes when you all make the same charges both as regards interest, and in every other department in your business?—I think I have already stated that the competition chiefly arose from the fact that the system in Scotland is for each bank to have its own customers, and to retain those customers; and not as it is in London and elsewhere, where there is an open market, by means of which the customers of the banks could receive accommodation; it is in competition for customers, borrowing customers, as well as deposit customers, that the competition exists.

1096. I perfectly see that; but the point is what influences do you bring to bear upon a customer in the way of competition, in order to make him go to one bank in preference to another; you cannot do it by paying him a higher interest on deposit, or by charging him less for discounting his bills?—Certainly not; there might be a question of liberality in dealing with a borrowing customer, that is, liberality as to the extent of accommodation; and of course the customers of banks have their own preferences; beyond that, I am not able to assign any reason whatever.

1097. You may compete by taking trouble to get customers, but you cannot compete through any operation of price?—Certainly not, because we act under the same system of rates of interest and charges.

Mr. *Goschen*—continued.

1098. And the managers of the banks meet periodically to settle the charges, do they not?—They do; when changes take place in the Bank of England rate, we meet to regulate our own rates with reference to the Bank of England rates.

1099. Do all the managers attend generally?—Except those at a distance. The representatives of the North Country banks, who are far removed from Edinburgh, do not attend; but they acquiesce in the arrangements which the managers from Glasgow and Edinburgh determine upon.

1100. But they all sign, do they not?—Quite so; the Edinburgh banks are authorised to affix their signatures to any arrangement which we may think necessary with reference to rates; that is in the ordinary course of business.

1101. Do you attach much importance to the advantage of that arrangement of the 11 banks amongst themselves?—I think that it is a very great advantage both to themselves and to the public.

1102. Will you state the advantage to the public?—One feature, and a very important feature, in connection with Scotch banking, is, that the system of rates secures to the small trader the same terms as to the large, and the business in Scotland is very much made up of small trading accounts, and the less wealthy classes in business are enabled to have accommodation from the banks upon the same terms as the more wealthy.

1103. Would not the individual banks be able to arrange that, even without this agreement upon charges?—I think not, and it will be observed from what has been stated with reference to the profits of the Scotch banks, that these tariff arrangements have really resulted very favourably, both to the deposit customers and also to the borrowing customers of the banks; I think that there would be no difficulty in satisfying the Committee that as regards both classes they are more liberally dealt with than they are elsewhere.

1104. And that you attribute to the fact that no bank can underbid the other, or can overcharge?—Quite so. The great object of the Scotch banks is to keep up their deposits, and therefore they deal as liberally as possible with their depositors in order to encourage deposits of every kind, having of course reference to the rates which they are enabled to charge their borrowing customers.

1105. But why do not the banks trust each other to give as high a rate of interest upon their deposits as they can afford?—I am afraid that would only lead to confusion; this is the impression which the Scotch banks have, and they have acted under such an arrangement for a long series of years.

1106. Since when, may I ask?—Certainly, before the passing of the Act of 1845. There have been some interruptions, but only for very short periods.

1107. Has it a tendency to keep up profits?—That is a very difficult question to answer, because we have not seen what might be the effect of a competition in the way to which you have alluded.

1108. Do you think that it favours a large

Mr. *Davidson*, and Mr. *Gairdner*.

10 May 1875.

Mr. *Goschen*—continued.

bank, as against a small bank, or a small bank as against a large bank?—I do not.

1109. Would it be a fair thing to say of this union between the Scotch banks, that it gives additional power to the monopoly, since the public have not the advantage of competition between the different banks?—In answering that question, I can only point to the results which have been put before the Committee with reference to the rate of profit earned by the Scotch banks, and with reference to their treatment of their customers of both classes.

1110. You think the rate of profit has been small?—Exceedingly moderate as compared with banking elsewhere.

1111. Looking to the dividends to the shareholders?—Looking to the dividends to the shareholders. With regard to the dividends, I think it right to explain that it is only within the last 10 or 12 years that the dividends in the Scotch banks have materially advanced, and I think this is entirely attributable to the fact of the deposits having so largely increased, not to any change in the mode of dealing with the public, but to the fact that the banks have a larger amount of banking resources put into their hands.

1112. Have there ever been complaints among the Scotch public of the union of the Scotch banks amongst themselves with regard to the fixing of the rates of discount and the charges?—I know of no general complaints.

1113. You do not think that it keeps down the rate upon deposits?—No, on the contrary, I think it rather helps to advance the rate.

1114. Are your rates both a minimum and a maximum, or have you a discretion in interests on deposits?—There are three classes of deposits, and the rate for each is fixed, and there is no variation allowed, except in the case of savings banks.

1115. What I mean is this; that for a given class of deposits, you must allow a certain interest and you must not allow more; is that the rule?—I am not aware that any bank would propose to allow less. We are not allowed to give more for deposits, but I do not know that there would be any objection to a bank giving less; but that is a contingency which I can scarcely imagine to arise.

Sir *John Lubbock*.

1116. I think I understood you to say, that in your opinion the system of banks of issue existing in Scotland has been most important and most beneficial to the country?—Certainly.

1117. And that would be the general opinion of the banks, would it not?—Certainly.

1118. In giving his evidence before us, Mr. Fleming stated that, in his opinion, the value of the circulation to the Scotch banks does not consist in the circulation, which is in the hands of the public, but that the advantage of the circulation, or rather the advantage of the right of issue was, that it enabled the Scotch banks to keep till money in their various establishments, in the shape of their own notes, although those notes never actually go into circulation; do you agree with that?—Quite so; the alternative being the necessity of keeping gold, or the notes of a bank of issue.

1119. The power of keeping your own notes in the tills of your own branches, is as valuable

Sir *John Lubbock*—continued.

to you as the notes which are out in circulation among the public, is it not?—Quite so, indirectly; of course they afford no direct profit.

1120. But they save you from a loss?—They save us from a loss.

1121. And therefore the value of the right of issue is particularly important to banks that have many branches?—Quite so.

1122. I presume that the Committee may take it, that many of your smaller branches would practically be unremunerative if you had to keep either gold or Bank of England notes in them?—Quite so.

1123. With reference to the Scotch banks which have amalgamated with others since the passing of the Act of 1844, I think the fact was that most of them were banks with a small number of branches, were they not?—Comparatively so.

1124. For instance, there was the Central Bank, which had nine branches, the Dundee Union with four, the Eastern Bank of Scotland with four, the Perth Banking Company with three, and the Renfrewshire Banking Company with four. That was the class of banks that were, amalgamated, was it not?—Quite so; the smaller banks.

1125. I think most of the Scotch banks have offices, have they not, in Glasgow for instance?—Yes; all except the north country banks. There are three north country banks, two in Aberdeen and one in Inverness; all the other banks have offices in Glasgow, with the exception of those.

1126. Reference has been made to the case of Ireland; I think in Ireland there are only six issuing banks?—I am not prepared to go into anything connected with Ireland.

1127. You do not know that it is the case, that the non-issuing banks in Ireland have much fewer branches than the issuing banks?—I was not aware of the fact.

1128. For instance, the Royal Bank of Ireland has only four branches; that is a very small number, but that would entirely fall in with what you have said, that the right of issue is specially valuable to a bank with a large number of branches?—Quite so.

1129. In the evidence which you were good enough to give the Committee when you were here before, you mentioned the case of 10 English banks, the average profits of which were 1 *l.* 19 *s.* 4 *d.* per cent. upon their cash deposits; would you have any objection to put in the names of those 10 banks?—They have been given to the Committee on Friday, and they are now in the hands of the printer.

1130. May I ask on what principle they were selected?—I think Mr. Gairdner said that he had selected all the banks whose statements were published representing a liability of a million and a half each.

1131. I asked you what the average expenses were, and you said you thought from 1 *l.* to 1 *l.* 1 *s.*; you were not quite sure at the time?—I think that that is correct, as nearly as possible.

1132. (To Mr. *Gairdner*.) In the case of the London joint stock banks, I think it is about 13 *s.* 4 *d.* per cent.?—In 1870 the expenses of management of the 11 London joint stock banks was 16 *s.* 1 *d.* per cent.; in 1871 it was 14 *s.* 1 *d.* per cent.; in 1872 it was 13 *s.* 4 *d.* per cent.; in 1873 it was 14 *s.* per cent.; in 1874 it was 13 *s.* 2 *d.*

Sir *John Lubbock*—continued.

13 *s.* 2 *d.* per cent. upon the cash deposits; that is taken from the "Economist" newspaper.

1133. (To Mr. *Davidson.*) Do you really think that there is any great advantage to the public in having so large a number of branches in some of the smaller Scotch towns; take the case of Brechin for instance, which, I think, has seven branch banks?—As regards the advantage to the public, perhaps the public might be served with fewer in number, but still the effect is to gather deposits throughout Scotland, and in that way the Scotch banks have fulfilled the objects of savings banks.

1134. On the whole, the system is good; but you think that it leads to a multiplication of banks in small towns, which is an evil, although a minor evil?—It is no evil to the public at all events; it involves a greater competition among the banks, but the public suffer no evil in consequence.

1135. But it is no advantage, is it, to have seven branches in a place like Brechin, where two would probably answer the purpose?—I am not prepared to answer that question.

Mr. *Campbell-Bannerman.*

1136. Are there not many cases of small towns in Scotland, like Brechin, which are in the centre of a large agricultural district, and where the banks therefore not only do duty for the little town itself, but for the whole of the neighbouring country?—Quite so.

1137. Brechin is an instance of that sort of place, is it not?—Brechin is an instance of that.

Sir *John Lubbock.*

1138. The number of those branches of course accounts for the total expenses of the Scotch banks?—No doubt it adds to the expense of the collection of the deposits.

1139. The total number of banks in England I think is about 370, is it not?—Yes.

1140. With reference to the exchanges, you were good enough, I think, to say that you would put in the amount of the notes exchanged before you made your returns?—I submitted a statement on Thursday last showing the daily circulation of the notes of the banks during 24 days, and I was asked to put in a statement showing what would have been the position of matters previously to the exchanges being made; but that statement I have not yet been able to prepare.

1141. In the case of the Western Bank, it is stated in Mr. Somer's book upon banking, that the amount in circulation in their private balance sheets was, in May 1857, 1,600,000 *l.*; in May 1856, 1,573,000 *l.*; in May 1855, 1,467,000 *l.*; and in May 1854, 1,455,000 *l.*; whereas the largest return ever made to the "Gazette" was 525,000 *l.*; have you any information upon that point?—I am unable to give any explanation.

1142. (To Mr. *Gairdner.*) Do you see any reason to doubt that statement?—There is some mistake about it, I think.

1143. Will you explain to the Committee how the matter really stands, because as it appears in a standard work it is desirable that there should be some explanation of it if it is incorrect?—I will make some inquiry about it; there is some mistake, I think.

1144. (To Mr. *Davidson.*) The circulation of

Sir *John Lubbock*—continued.

sovereigns in Scotland is, comparatively speaking, very small, is it not?—Quite trifling.

1145. Referring to a table which you were good enough to put in showing the position of the Scotch banks, I see that in the column of acceptances the three Scotch banks which are established in London have acceptances to the extent of 3,500,000 *l.* in round numbers, out of a total of 5,100,000 *l.*?—Quite so.

1146. I presume that the tendency is, when they are established in London, for their acceptances to increase largely?—There is no business connected with Scotland leading to large acceptances payable thereon; credits issued in Scotland are, I may say, invariably given in the form of drafts upon London.

1147. In fact, the acceptances of those three banks were much smaller before they came to London than they are at present?—Quite so.

1148. The acceptances of the Bank of England, I see by the last return, are only 330,000 *l.*; I believe it is generally their policy to keep their acceptances low?—I think that they do not accept at all.

1149. There are the seven day and fourteen day bills, you know; do you not think it is a good rule that banks of issue should not accept very largely?—One point connected with that question is what is "largely," and the character of the acceptances, and the securities upon which they are based has to be considered; I quite think that it is desirable for a bank not to make use of its credit too freely.

1150. I see in looking to the table of charges that the charge for cashing drafts payable on demand is 2 *s.* up to 600 *l.*, and 1 *s.* for sums above 600 *l.*; supposing that you receive a cheque drawn upon one of your branches, and which a banker in England wishes to receive money for, you charge 2 *s.* per cent. if it is below 600 *l.*, and 1 *s.* per cent. if it is above 600 *l.*?—That is regulated entirely, I think, by the amount, and by the distance at which the amount has to be collected. (Mr. *Gairdner.*) The rule is this: if a man who has his account in Edinburgh happens to be in Glasgow, and passes a cheque on his own account in Edinburgh for any sum, he gets the money free; but supposing that a man in Edinburgh sends to a third party in Glasgow his cheque, which is payable in Edinburgh, it is subjected to a charge in Glasgow when it is presented for payment.

1151. That being the amount of charge?—That is the amount of charge; it varies with the amount of the cheque.

1152. Supposing, for instance, that a cheque which is drawn upon your bank is paid into a bank in Birmingham, and is sent to you by the bank in Birmingham, do you make that charge for the payment of the cheque?—No, we should pay the cheque at once if it is presented in Glasgow; but the Birmingham banker, I suppose, would make a charge for it. We should make a charge for remitting the money to Birmingham.

1153. Or to London?—Or to London; but we should make no charge in paying the money in the town upon which the cheque is drawn.

1154. Clearly, if the Birmingham banker took a railway ticket and went to Glasgow and presented the cheque over the counter, you would make no charge, but if he sent it by post you would make a charge?—We should make a charge; I do not know that what you read is

Mr. *Davidson*, and Mr. *Gairdner.*

10 May 1875.

Mr. *Davidson*, and Mr. *Gairdner*.

10 May 1875.

Sir *John Lubbock*—continued.

the charge for London cheques, but the scale deals with various kinds of cheques; the whole is embraced in these statements.

Mr. *Orr Ewing*.

1155. Do you always charge your customers for sending money to London?—Yes, always.

Sir *John Lubbock*.

1156. But you charge the London bank or the English bank also?—If it was an English bank in regular correspondence with us, we should, probably, have a special arrangement; but a correspondent who is not a banker would be charged the regular rate for remitting money to London, which is 1 *s.* per cent. For remitting to the provinces of England the charge is higher, because we require to pay the provincial bank in England that rate.

1157. Then an ordinary English country banker who had to collect for one of his customers a draft for 600 *l.*, drawn upon your Glasgow branch, or any of your other branches, would receive from you 600 *l.*, less 2 *s.* per cent. commission?—Exactly so; the 2 *s.* being the charge for sending the money from Glasgow to the place from which the cheque is sent.

1158. On the other hand, if you received a cheque drawn upon a Birmingham bank, you would pay the money through the English country bank clearing, and you would get the money in full in London?—No; if we had a cheque upon a Birmingham bank, it would cost us a commission to get our money placed to our credit in London or in Glasgow.

1159. Why should you not send it through the country clearing, in which case there would be no commission charged?—The duty of the bank is to negotiate the cheque direct upon the place upon which it is drawn.

1160. Do I rightly understand you to say that if you sent a cheque to a Birmingham bank, and said, "Pay to our correspondent in London the amount of this cheque," they would deduct a commission?—They would.

1161. Supposing that you received a cheque from a London bank, you would treat it in the same way as a country bank?—We charge nothing upon a cheque upon a London bank, because we ourselves having balances in London, it suits us to take London cheques without any charge. We make no charge upon the cheques paid into the bank which cheques are payable in London.

1162. But that is not exactly my question. Supposing, for instance, that Messrs. Coutts & Co. or Messrs. Herries remitted to you a cheque for 600 *l.*, you would pay to them in London the 600 *l.* less your commission?—We should.

1163. On the other hand, if you received a cheque upon them, of course you collect it free of any commission?—Free of any commission.

1164. (To Mr. *Davidson*.) You have stated that according to the figures presented by the right honourable gentleman the Member for the City of London, the amount of your free gold, that is to say, the gold over and above that required for the excess of your circulation, was about 3½ per cent.; I presume you consider that under the circumstances of the case, that is quite sufficient?—In answering that question, I must couple the surplus of gold with the reserves which are kept in London.

Sir *John Lubbock*—continued.

1165. Taking the thing as a whole?—Taking the thing as a whole.

1166. The average amount of your circulation now is about 6,500,000 *l.*, is it not?—Nearly 6,000,000 *l.* The last "Gazette" return on the 17th April was 5,535,000 *l.*

1167. I think you stated that the average amount of gold which you hold, is, in round numbers, 4,000,000 *l.*?—The average amount for last year was 4,107,000 *l.*

1168. And the amount of your authorised circulation being 2,700,000 *l.*, that leaves you, on an average, about 1,000,000 *l.* of gold over and above the amount which you are allowed to issue?—Quite so.

1169. Against about 80,000,000 *l.* of liabilities, in round numbers?—I have before explained that we regard the 4,000,000 *l.* of gold which we hold, as held substantially against our other liabilities, as well as against the notes in issue.

1170. Mr. Somers, in his work upon Scotch banking, gives the figures taken from the Returns of the Scotch banks for the years 1865, 1869, and 1872; there is nothing special about those periods, I think, and they may be taken, may they not, as fair representative periods?—1865 was a period of dear money.

1171. As regards 1869 and 1872, there was nothing very special, was there?—Nothing peculiar.

1172. Have you any objection to putting in the Charter of the Bank of Scotland?—The Bank of Scotland exists under an Act of Parliament. I have no objection to put it in.

1173. I think I understood you to say that you make no exceptions to the scale of charges as handed in?—We make no exceptions, except with regard to savings banks and charitable institutions.

1174. You do not make any special allowances, do you, to large customers?—No, none whatever.

1175. That you regard as being one of the advantages of the system?—Yes; and we make no charge for keeping accounts.

Mr. *Beckett Denison*.

1176. As regards your system of business, have you a system in Scotland of uncovered advances; that is advances without security to traders who do regular business with you?—Advances are occasionally made in Scotland, but to a very limited extent.

1177. Almost all your advances are covered by securities?—Yes. Of course I can only speak from general knowledge of the subject, but I should say that the uncovered advances by the Scotch banks are of very limited amount.

1178. Then in what direction does competition exist between yourselves for customers? You say that your charges are all equal, and that you have not a system of uncovered advances; in what field do you exercise liberality, or the contrary?—Except in the way of granting accomodation, I am unable to point to any difference in the mode of conducting business in the banks; our charges are precisely the same.

1179. But accommodation means advances, either with or without security?—Quite so; it means either the discount of bills or advances upon cash credits. The competition exists in that way alone, and also, as I think I have before mentioned,

Mr. *Beckett Denison*—continued.

mentioned, in the preference that customers may have for one bank over another.

1180. As a matter of fact, do not customers change from one bank to another?—Occasionally they do, of course; but I think not to any greater extent than they do elsewhere.

1181. I think you said that the number of branches of Scotch was upwards of 800?—There are 884 offices, including the 11 head offices.

1182. Have you any return which would tell the Committee what amount of notes are in circulation at the branches as apart from the head offices?—No, I have no return.

1183. I think you said that gold is almost entirely uncalled for in the branches?—It is very rarely required, indeed. I have mentioned to the Committee that the amount of gold sent to London was greater than the amount received from London.

1184. Is there any great demand for silver for the smaller exchanges?—There is a considerable amount of silver required, but I am unable to state the exact amount.

1185. You said that 4,000,000 *l.* was the amount of gold; does that include silver?—That includes silver. In accordance with the Act of 1854, the banks are allowed to hold one-fourth of the amount of their coin in silver.

1186. I think you have admitted that were you compelled by law to cash all your notes at the branches, you would have to keep in case of necessity a considerably greater amount of gold than you at present do?—I think that that point was not adverted to.

1187. Supposing that your notes were legally payable at all your branches, would you have to keep a larger amount of gold than you do now?—We should certainly require to keep a larger amount of gold; but that would be an entire change of system.

1188. I think that in the discussions of 1845, the point was very much insisted upon in Parliament as one of the advantages Scotland had over Ireland, that whereas the Irish notes were payable at all the branches, the Irish banks were compelled to keep a much larger amount of gold than the Scotch banks did under their system?—Did that obligation exist, we should certainly have much fewer branches than we have now; the conveyance of notes from one place to another would in itself involve a great deal of difficulty and trouble.

1189. What practically determined the amount of coin which you keep for use; is it a proportion to your circulation; is it a proportion to your total liabilities, or is it the two circumstances combined, the amount of your extra issue and what you require for the till, or on what system do you calculate the amount of coin?—As I have mentioned, the banks in complying with the Act of 1845, hold as much gold as is necessary for every purpose, both with reference to the requirements of the Act, and also with reference to their other liabilities; but in order to work their system safely, it is always necessary to have a surplus of coin; I think the average excess held by the Bank of Scotland during last year over what it was required by the Act to hold, was about 100,000 *l.*

1190. Of course you admit at once that the obligation to hold a large amount of gold is *pro tanto*, an extra expense to the banks?—Certainly.

Mr. *Beckett Denison*—continued.

1191. It is the least profitable form in which they can hold their reserves?—Yes.

1192. You say that there is a complete concert of action among the banks as to charges in Scotland; are you also agreed as to your charges in London?—The Scotch banks in London, so far as I know, follow the course of the London joint stock banks in their dealings with the public.

1193. Have you any personal knowledge of the circumstances under which the Clydesdale Bank extended its operations into Cumberland?—I have none.

1194. Was that extension made independently, without any concert with the other banks?—Quite so; the Clydesdale Bank did not consult the other banks upon the subject.

1195. I was rather under the impression that the other banks of Scotland were adverse to the particular action of the Clydesdale Bank; I wish to be put right if my impression is erroneous?—I think that they regretted the course which the Clydesdale Bank took in establishing branches in England. The concurrence of other banks in Scotland was not asked.

Mr. *Orr Ewing*.

1196. You never doubted their right I suppose?—I would rather answer that question by stating that I am not prepared to give any expression of opinion with reference to the legal point.

Mr. *Anderson*.

1197. I think you said that the banks held meetings to arrange the rates of interest; is not the settlement of the rates of interest practically in the hands of a committee of Edinburgh bankers?—Not at all.

1198. Have the banks a formal meeting whenever the Bank of England rate changes?—Almost invariably; and if they have not a meeting it is for this reason, that in order to save trouble we agree to adopt the rates which were previously used under the same circumstances; I mean with reference to the Bank of England rate.

1199. Then there is not a meeting every time that the Bank of England rate changes?—No.

1200. You merely take for granted that there will be a change?—If a change takes place in the Bank of England rates, I, as convener of the banks, communicate by telegraph to Glasgow to know whether they wish a meeting, or whether the rates previously adopted under the same circumstances with reference to the Bank of England rate will be those which we shall adopt, and I communicate also with the Edinburgh banks to see whether they concur in that course.

1201. Do you communicate with the northern banks?—No, we do not communicate with them.

1202. And after doing that you insert an advertisement in the newspapers as to the change?—Quite so, having the concurrence of the Glasgow banks and of the Edinburgh banks.

1203. So that there is not always a formal meeting, and that accounts for the remarkable rapidity with which the change is announced?—Yes.

1204. I think your evidence shows that there is a constant influx of gold into Scotland, to a certain extent?—Not a constant influx. The

Mr. *Davidson*, and Mr. *Gairdner*.

10 May 1875.

Mr. *Anderson*—continued.

influx takes place at the two terms of Whit Sunday and Martinmas; the sums required at other periods are small, except as regards half sovereigns; we have to bring half soverigns from England to facilitate the payment of wages.

1205. Do you weigh the gold that is offered to you?—No.

1206. Do you take it for granted to be correct?—We make no charge for light weight. Under a different system of course we should be obliged to make a charge, but the sums which we receive from our customers are so small in amount that the Scotch banks make no charge for light weight.

1207. When you send your surplus to England, where do you send it?—To the Bank of England.

1208. Do they make a charge for light weight?—Decidedly.

1209. Then you have a certain loss upon it?—Yes, we have.

1210. Do you ever send to the Bank of England for gold?—We always get the gold from the Bank of England.

1211. Do you weigh the gold that comes from the Bank of England?—We do.

1212. I suppose that a good many notes are lost in Scotland?—My opinion is that very few notes are lost, or destroyed.

1213. Even by fires?—Even by fires. I may mention as an illustration of that which is present to my own mind, that when the Bank of Scotland was amalgamated with the Central Bank some years ago, in 1867, the Central Bank had then 53,000 *l.* out in its notes, and at the present time there are under 2,000 *l.* still out.

1214. That is in eight years?—Yes, under 2,000 *l.* still remain out. I think that the last statement I saw was about 1,800 *l.*, and I have no doubt whatever that the larger proportion of those will be returned.

1215. You still expect to have to pay those?—Yes, or a very large portion of them.

1216. Is there any time at which you attempt to ascertain what notes have been lost?—No.

1217. Then at present the published issues include all the notes that may happen to be lost?—Certainly.

1218. From the beginning of your circulation?—Yes, unless it may be that some banks have written off some of their notes, but I am not able to answer that.

1219. Has the Bank of Scotland written off none?—Not for nearly 40 years, I should say.

1220. Then at present you are publishing an issue which may include a very considerable number of notes that are not practically available for public circulation?—To a certain extent that must be so.

1221. In 40 years you expect, I suppose, that there may have been a considerable amount?—I have given an illustration of the small amount that is likely to remain unaccounted for.

1222. (To Mr. *Gairdner*.) Does the Western Bank afford any illustration of that?—Yes, I think that the Western Bank affords a very good illustration, and I think that we could get the exact figures. The Western Bank absorbed a number of very old banks, if I remember rightly, and those old banks no doubt had their circulation back in the last century, and my impression is that the result, as shown by the winding up of the Western Bank, is that a very small number of notes remained outstanding; I think I could get the figures.

Mr. *Anderson*—continued.

1223. The Union Bank also absorbed a great many old banks, did it not?—Yes, these were all prior to 1845, and some of the partners retained the right to any profit that arose out of the issues; but in no case do I think that the amount was considerable. It is a mere trifle, and it never attracted my attention.

1224. It is not an important element in banking profits in Scotland?—No, it is very unimportant.

Mr. *Beckett Denison*.

1225. (To Mr. *Davidson*.) How many years do you find that the 1 *l.* notes last?—A calculation was made 30 or 40 years ago, but it was a mere estimate; and if I remember right, the larger notes were calculated to last for five years, and the small notes for a longer period, seven or eight years.

Sir *John Lubbock*.

1226. (To Mr. *Gairdner*.) I think that in 1865 the notes of the Western Bank were 7,000 *l.* (*handing a book to the Witness*)?—I do not know whether the amount is correct, but the statement here is that the unpresented notes amounted to 7,028 *l.*

Mr. *Campbell-Bannerman*.

1227. When?—I do not know what is the date, but if the Committee desire it I am sure I could get the figures.

Mr. *Anderson*.

1228. (To Mr. *Davidson*.) Have you also deposits unclaimed?—A very small amount indeed.

1229. Is the interest added to your deposits annually?—The plan of the Bank of Scotland, and I presume it is the same with all, is to calculate the interest, and at the end of the year it remains available for the holder of the deposit receipt, when his deposit receipt is presented.

1230. But it is not added to his receipt?—It is not added to his receipt.

1231. So that if the holder of the deposit receipt came at the end of five years, not having been in the intervening time, he would not get compound interest for his deposit receipt?—That is so.

1232. He would merely get simple interest?—He would merely get simple interest. The principle on which the Scotch banks issue deposit receipts is, that they are payable on demand, but payable at any time when the receipt is presented.

1233. Some of the unclaimed deposits, I suppose, may have lain for a very long while?—I have no means of answering that question. There are deposits in the Scotch banks which were made under the authority of the court, and a return of these was given to the House of Commons a few years ago; but as I said before, the amount of old deposits by the general public is very limited in amount.

1234. Is there any time at which you write them off?—No, no period.

1235. If your right of issue were entirely withdrawn in Scotland, what extra capital would you require; that embraces the whole question, I think?—I have stated that we should, in the first place, require to redeem our authorised issues, amounting to 2,750,000 *l.* I have also stated

Mr. *Anderson*—continued.

stated that the amount of notes and coin, and the reserve which we should require to hold, in order to maintain the new system, would be 3,900,000 *l.*, making altogether 6,650,000 *l.*

Chairman.

1236. Do you say that you would require 4,000,000 *l.* beyond the amount of the authorised issue of notes?—No; first of all the banks would require to redeem their authorised issue of 2,750,000 *l.*, and then provide a working stock of notes and coin, as well as a reserve to maintain that stock; the two together amounting by the estimate before me to within 100 *l.* of 4,000,000 *l.*, the three items making a total of 6,650,000 *l.*

1237. What makes up the difference between the 4,000,000 *l.* and the 6,000,000 *l.*?—It is the necessity of redeeming our authorised issue.

Mr. *Anderson.*

1238. And keeping up till-money for your branches?—Keeping up till-money for our branches, independently, altogether, as I have already stated, of the gold which it would be necessary to hold against our other liabilities.

1239. Would you give us more in detail the way in which the amount you have just stated is arrived at, so as to let us know exactly what would be the extra capital required by the Scotch banks, supposing that their right of issue were totally withdrawn?—These figures were the result of consideration by all the bank managers, and I cannot hope to give it to you more accurately. (Mr *Gairdner.*) It is only experience that will tell us, and that is the estimate we make in the meantime.

1240. (To Mr. *Gairdner.*) There was a question as to why the banking system in Ireland had not extended more in the way of branches; have you gone into the scale of charges in the Irish banks, on the same footing as you have made out those for the English and Scotch banks?—I made the attempt, but I should rather not rely upon it, and I have no doubt that you will get it more accurately from the Irish banks themselves.

1241. (To Mr. *Davidson.*) I think you said that one of the features of the Scotch system of banking was the charging of no commission for keeping accounts?—The banks charge no commission for keeping accounts.

1242. Do you accept any account that anybody offers to you, if it is a mere deposit account?—A deposit account.

1243. Without asking any questions as to character or anything else?—I do not say that, but we give every encouragement to all classes to lodge their money with us.

1244. And you give a rate of interest on the daily balance of that account?—On the daily balance.

1245. I suppose that those are the two principal features of Scottish banking, are they not; viz., the making no charge for keeping accounts, and the allowing of the actual interest upon the balance to credit?—It is that system which attracts the large amount of deposits that we keep.

1246. And it is that system which has caused economy in the currency of the country?—Certainly.

1247. And that enables Scotland to do with a very much less amount of floating currency, as compared with the population, than is required in England?—Certainly.

Mr. *Anderson*—continued.

Mr. *Mulholland.*

1248. (To Mr. *Davidson.*) I think you said that the 70,000,000 *l.* of deposit in the hands of the Scotch banks included balances of account; do you know what proportion of it would be balances of account?—I am enabled to give some information upon that subject, although it is not complete. It will be more complete in the course of a few days, but taking some of the large banks, I find that the deposit receipt holders average 75 per cent. in amount.

1249. (To Mr. *Gairdner.*) In comparing your statements with those of the English banks, do you include the balances of account current with the English banks?—I take the statements of their liabilities to the public as given by their balance sheets, which do not distinguish between deposit receipts and current accounts.

1250. In this printed Return the note circulation is stated at 6,600,000 *l.*; does that include your notes in the hands of other banks?—It does at the dates at which those Returns were made up.

1251. And that, I suppose, is the chief cause of the difference between those figures and the amount outstanding?—Yes, no doubt.

1252. I suppose that one reason why the reserve of coin in the hands of the Bank of Scotland was so much smaller than that of the others was, that the circulation of the bank is less than that of the others in proportion to its other banking business?—I do not know; every bank must judge for itself the amount of coin that it keeps. It is a question of experience as to the amount that you find necessary at any particular branch.

1253. But I think you stated that under the present system the reserve required for the readjustment of balances is chiefly kept in London?—No doubt the bank reserves are, to a large extent, kept in London; and I explained the necessity why they should be so.

1254. (To Mr. *Davidson.*) The acceptances and the deposits of the Bank of Scotland being relatively larger, the amount kept by the Bank of Scotland in London is larger than the amount held in Scotland?—The fact that the coin held by the Bank of Scotland is small in amount relatively to the others arises from the fact that it is not required to hold so large an amount, because the authorised issue is larger than that of some of the other banks.

1255. (To Mr. *Gairdner.*) I was not speaking of the reserves that you keep against surplus issue, but of the 100,000 *l.* that you keep beyond the amount required; in fact, I suppose you look upon the second column of assets as being your banking reserve, and the other more as cash in the till?—Just so.

1256. Do you not in that respect follow the example of the English provincial banks?—I cannot speak for the English provincial banks; but I imagine that the English provincial banks must keep large reserves in London also, for the reason which I have already explained.

1257. So that in looking at your reserve, with reference to your liabilities, you should certainly include this column of assets?—Certainly I think so.

1258. I think you stated that some banks had been

Mr. *Davidson*, and Mr. *Gairdner*.

10 May 1875.

Mr. *Mulholland*—continued.

been established in Ireland lately since the Act, although none have been established in Scotland?—Yes.

1259. What banks are those?—I know the fact, but I have not got the names.

1260. I find that the only bank established in Ireland since 1845 was the Munster Bank, which I believe was an amalgamation of other banks that existed before?—There are other banks besides that which do not issue notes.

1261. I have a return from a banker in which he states that there are only the Hibernian, the Royal, and the Munster Banks, which do not issue notes?—There are three banks which do not issue notes.

1262. Are you not aware that the only one which has been established since 1845 is the Munster Bank?—I decline to speak as to the Irish banks, for I am not familiar with the facts.

1263. Would not a comparison of the reserve kept by your bank be made more fairly with other English banks than with the Bank of England?—I think so. I think the Bank of England is in an altogether different position from that which we are in, chiefly for this reason: that they are custodiers of the reserves of other banks. It is of quite as much importance to look to the character of the deposits as to the amount of the deposits in considering the question of what reserve a bank ought to keep.

1264. In fact, an important reason why the Bank of England keeps so large a reserve is, that its deposits are bank deposits upon which it pays no interest?—Quite so; if 20 men came to me each with 5,000 *l.* to deposit, in the ordinary course of business, I should be very glad to see them; but if one bank paid 100,000 *l.* to its credit with me I should probably decline to take the money and allow interest upon it.

1265. I think you said that you were enabled to keep up the branches in the small towns in consequence of the facilities offered by your having the power of issue, and it was suggested that in some towns there is an unnecessary number of branches; but is it not the fact that in 73 places of under 1,000 inhabitants you have 97 branches altogether, so that two-thirds of those must have only one branch each?—Yes, I should think that is generally true.

1266. In looking at the average rate of profit, ought you not to take into account the reserve capital and undivided profits, as well as taking the 4 per cent., or is it not rather accidental what amount one bank may happen to have in their reserves, and yet the profits must be earned upon the reserves capitalised, as well as upon the capital?—The reserves spoken of there are the undivided profits. The principle adopted with reference to this statement is the principle of the "Economist" newspaper, which has been used for many years, and which appears to me to be a perfectly fair mode of contrasting the margin of profit earned by the different banks, and, therefore, I adopted it, and applied it to the provincial banks in England.

1267. You adopt it with respect to the 4 per cent. interest upon capital and reserve, but did you also adopt it with respect to the average percentage of profit?—I did. The same principle is applied to the English provincial banks as was applied by the "Economist" to the Scotch banks, and the 11 London joint stock banks.

1268. I think that Mr. Davidson gave the 4 per cent. upon the capital and reserve, but took the profit merely upon the capital?—We take the profit declared in the balance sheet, and from that we deduct 4 per cent. upon the capital and undivided profits. The balance is held to be the pure business profit earned by banking.

Mr. *Mulholland*—continued.

1269. But when you came to see how much that was per cent. you took it upon the capital, did you not?—We applied it in the first place to the capital, secondly, to the cash deposits, and in the third place to the total liabilities.

Mr. *Orr Ewing*.

1270. The charge which you make for discounts is regulated by the rate charged by the Bank of England, is it not?—Yes; no doubt the rate of the Bank of England is the rate by which we regulate our rates.

1271. And then the interest that you allow upon deposits depends upon the charge which you make for discounts, does it not?—Nowadays the interest that we allow upon deposits is, as a rule, the same rate as is advertised in London by the London joint stock banks.

1272. It goes up and down according to the discount which you are charging?—Yes, and that again is regulated by the Bank of England rate; but we differ from the London banks, in so far as we allow a rate upon the daily balances of current accounts.

1273. This union that exists for regulating charges and payments for discounts and deposits is the same system as is adopted in England, is it not?—I do not know that there is any such arrangement in England; but the rates are the same.

1274. It has been doubted as to the competition of the banks of Scotland, because you regularly charge the same price for discounts; but although that is the minimum charge made for discounts and the minimum allowance given for deposits, are you precluded from giving less for deposits?—No, we are not precluded from giving less for deposits. The rate fixed for deposits is the maximum, and the rate for loans and discounts is the minimum.

1275. Then do you charge some customers above the minimum?—No, I think that, practically, those rates are the rates all round.

1276. There is a great advantage in that, is there not, to small traders?—I think so.

1277. Notwithstanding that you have only a margin of profit of 1 *l.* 1 *s.* 11 *d.* upon your deposits as against 1 *l.* 13 *s.* 10 *d.* to the English banks, you pay good dividends?—We do.

1278. And those large dividends are based upon small profits which have accrued to the bank by the very large amount of deposits which the bankers have?—No doubt; the amount of the deposits is the key to the profits to be earned by the bank.

1279. Looking at the statistics which you have given of the increase of deposits from the year 1845 to the year 1875, and to the increase of branches throughout Scotland during that same time, the increase of deposits seems to be very much in the same ratio as the increase of branches?—It may be so.

1280. For instance, you will find that in the year 1845, there were only 382 branch banks; in 1855 there were 480; in 1865 there were 654; and in 1875 there are 884. The deposits in 1845 were 33,000,000 *l.* odd; in 1855, 43,000,000 *l.* odd;

Mr. *Orr Ewing*—continued.

odd; in 1865, 56,000,000 *l.* odd; and in 1875, 78,500,000 *l.* Therefore the deposits appear to increase in almost the same ratio as the number of branches throughout Scotland?—But it does not follow from that, that the fresh deposits came from the new branches.

1281. But are you prepared to say that they have not?—I should think it extremely improbable that the new branches have brought these fresh deposits.

1282. I suppose that one of the principal modes in which competition exists between Scotch bankers is in their efforts to obtain deposits?—Yes.

1283. And they give facilities to customers for the purpose of competing with each other?—Certainly, and I think that the competition has been to a large extent the means of getting in small deposits from small traders, and the lower strata of the working classes. There are 20,000,000 *l.* held in sums under 200 *l.*, and I have no doubt that the competition among the branches has been the means of getting in those small deposits.

1284. Then you look upon those branches scattered throughout Scotland as of great importance, and great advantage to the country?—I think very great indeed.

1285. Do you think that if the circulation of 1 *l.* notes was stopped in Scotland, you could possibly maintain the same number of branches which you have at present?—I think not.

1286. They could not be conducted at a profit, you think?—I should think not; I should think that some of the smaller branches would require to be put down.

1287. And even although bankers might be compensated as bankers for any loss that might accrue by the deprivation of that circulation, the country might suffer great loss by any change of system?—I think it would; I think that the manner in which the Scotch banks have sought out the savings of the working classes is a very important feature of the system looked at from the point of view from which, I presume, this Committee look at it: that is to say, rather from the non-banking point of view.

1288. To a certain extent, the interests of the public of Scotland and the interests of the bankers of Scotland are identical upon that question?—I think so.

1289. I should like to call your attention to Question 34 in Mr. Fleming's evidence; he was asked: "Are you aware that it is alleged that, according to the mode in which the averages are taken, a larger amount of notes are issued by the Scotch banks than would be issued, for instance, if the amount of gold was ascertained in the same way as it is in the Issue Department of the Bank of England?—*A.* That, no doubt, is so, for under our system of exchanges in Scotland throughout the country (I am not speaking at present of Edinburgh or Glasgow, but of various small branches where there are more banks than one) exchanges only take place once a week, and notes are exchanged between banks on a Saturday morning; then it is the etiquette of the Scotch banks that they do not issue the notes of each other, so that supposing that the Bank of Scotland and the Royal Bank were both represented in some town in Scotland, the Bank of Scotland would go on from Monday morning to Friday evening issuing its own notes, and so would the

Mr. *Orr Ewing*—continued.

Royal Bank; and then on Saturday morning they would exchange the amounts held by them respectively, so that no doubt there is an excess of actual issue, if you deal with the issue as representing the notes which are lying useless in the hands of the respective banks; but there is certainly no excess of circulation in the hands of the public as distinguished from the banks." Is it the case that you make a distinction between notes held by bankers other than their own notes, and notes held by the public?—We cannot tell what are held by the public and what are held by the other banks.

1290. But all notes issued by a bank, and held by another bank, are as much in the hands of the public as if they were held by anybody else, are they not?—For the purposes of the Act, undoubtedly so; but if you will allow me to make the explanation a little more clear, I should like to do so. The question points to the fact that the law in Scotland is different from the law affecting the Bank of England, and the difference is most important. In Scotland any existing bank of issue may issue as many notes as the public require, subject only to the conditions of the Act of 1845; and the restraints imposed by the Act of 1845 are contained in the sixth and tenth clauses. The sixth clause states "that from and after" such a date "it shall not be lawful for any banker in Scotland to have in circulation upon the average of a period of four weeks" (which is quite different from the Bank of England), "to be ascertained as hereafter mentioned, a greater amount of notes than an amount composed of the sums certified by the Commissioners of Stamps and Taxes as aforesaid, and the monthly average amount of gold and silver coin held by such banker at the head office, or principal place of issue of such banker during the same period of four weeks, to be ascertained in manner hereinafter mentioned." Then in Clause 10, you find what is the "manner hereinafter mentioned." "And be it enacted, that for the purpose of ascertaining the monthly average amount of bank notes of each banker in circulation, the aggregate of the amount of bank notes of each such banker in circulation at the close of the business on Saturday of each week during the first complete period of four weeks next after the 6th day of December 1845, shall be divided by the number of weeks, and the average so ascertained shall be deemed to be the average of bank notes of each such bank in circulation during such period of four weeks, and so in each successive period of four weeks;" that brings in a most important difference in the system as applied to Scotland and Ireland, as compared with the more rigid system of the Bank of England.

1291. But you make no distinction between bank notes held by bankers and bank notes held by the public?—We do not. (Mr. *Davidson.*) The return from the bank of Scotland differs in some respects as regards its acceptances from those of other banks. The other banks apparently include their acceptances among their general loans, but the Bank of Scotland puts them separately.

Sir *Graham Montgomery.*

1292. (To Mr. *Gairdner.*) With reference to the question of all the banks of Scotland doing business on the same terms, did the Western

Mr. *Davidson*, and Mr. *Gairdner*.

10 May 1875.

Sir *Graham Montgomery*—continued.

Bank previously to its failure do business on the same terms, or did it infringe the rules laid down?—I was not a banker at that time, so that I cannot answer the question with certainty, but I believe they were understood to have done so. It used to be suspected that they gave higher rates for money than the other banks, but I do not know the fact.

1293. The Oriental Bank Corporation and Colonial banks only take money for a lengthened period, for a time not less than six months; is not that so?—For one to two years, I believe.

1294. On deposit?—On deposit, and that money is taken out of the country and used abroad, I suppose.

1295. You alluded to some banks that had been attempted to be established in Scotland since 1845; were those what were called exchange banks?—They were banks that had their head quarters in London, and they were got up for the purpose of carrying on business partly in London and partly in Scotland, and they opened branches in Glasgow and Edinburgh, and I think in some other towns, but they did not prosper.

1296. All of them were wound up, were they not?—Yes.

1297. As to the gold and other securities that you hold in London for your note circulation and deposits; does it amount to one-fourth or one-third of your liabilities?—The amount of our Government securities and short loans in London added to the gold in Scotland, and notes of other banks, will come, I think, in the cases of the larger banks, to about one-third of the liabilities.

Mr. *Campbell-Bannerman*.

1298. I think you have explained that the reason why the return of your extra issue is based upon the amount in circulation after the exchange between the banks on Saturday, is that that form is prescribed by Act of Parliament?—Certainly. The Act of Parliament prescribes that the return is to be made at the close of business on the Saturday night, and we make our exchanges on the Saturday prior to giving our return.

1299. There would be no reason, I suppose, except that of some additional difficulty or inconvenience, why the banks should not exchange their notes every day if it was required?—None whatever.

1300. As a matter of fact, in the large towns it is done three times a week, is it not?—It is.

1301. The notes which are held by one bank and which have been issued by another, are practically not, in the common sense of the term, in circulation, are they?—They are held by the banks on the understanding that they will not be re-issued, but returned to the bank from which they emanated.

1302. So that, practically, the amount of notes in the hands of the public may not, after all, be

Mr. *Campbell-Bannerman*—continued.

at all greater than the amount on the Saturday?—The amount on any day during the week held by the public is not likely, under any circumstances, to be greater than the amount returned upon the Saturday; and as explained by Mr. Davidson, that has been tested very thoroughly by having an exchange daily, which did not in the least degree affect the notes in the hands of the public, but merely brought back into the issuing banks the notes held by the other banks; and we have proved thereby that the Saturday returns are slightly in excess of the average returns of the other days in the week.

1303. The notes are received by the Scotch public with absolute confidence, are they not?—Undoubtedly.

1304. It would be scarcely too much to say that they are preferred to sovereigns?—They are very much preferred to sovereigns.

1305. Because sovereigns may be under weight, and the notes are never under weight?—Quite so.

1306. And that confidence does not arise, because the Scotch public know that gold is held against the small over-issue, but it arises from the general belief in the stability of the banks, and the experience, during years and years, of no loss having occurred?—I think it is so.

1307. And probably apart from any general question of securing the convertibility of the 1 *l.* note, such a state of feeling as that amongst the whole community in which the note circulates may, I presume, in your opinion, very well be taken into account in dealing with the subject?—I should think it ought to be.

1308. No loss has ever occurred to a note holder in Scotland I believe?—I should think in the case of some of the smaller private banks, losses may have occurred, but of very trifling amount. There is no case I think in which a joint stock bank has involved loss either to the note holder or to the depositor; and those private banks that may have involved loss are of former generations, they have not been known to me.

1309. This state of feeling with regard to the note circulation in Scotland, extends all over Scotland, does it not?—It does.

1310. And the Scotch notes do not circulate anywhere else?—They do not.

1311. So that the two things are geographically co-incident?—Yes.

Mr. *Goschen*.

1312. Do not the Scotch notes circulates anywhere else?—Not to my knowledge.

Mr. *Backhouse*.

1313. Do they not circulate in the north of England?—Not to my knowledge. They are taken to the north of England by people, and are returned through the bankers to Scotland, but they are not circulated. We have no branches near the borders, however, and therefore I am not a very good authority upon the subject.

Thursday, 13th May 1875.

MEMBERS PRESENT:

Mr. Anderson.
Mr. Backhouse.
Mr. Balfour.
Mr. Campbell-Bannerman.
Mr. Chancellor of the Exchequer.
Mr. Orr Ewing.
Mr. Goschen.
Mr. Leveson Gower.
Mr. Kavanagh.
Mr. Sampson Lloyd.
Sir Graham Montgomery.
Mr. Mulholland.
Mr. Mundella.
Mr. William Shaw.
Mr. Torr.
Mr. Hussey Vivian.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. CHARLES GAIRDNER and Mr. JAMES SIMPSON FLEMING, recalled; and further Examined.

Chairman.

1314. (To Mr. *Gairdner.*) I THINK you have some further Papers that you would like to put in with reference to your examination on the last day of the meeting of the Committee?—Yes. When Mr. Davidson and I spoke to the deposits of the 11 banks, and to the classification of them, we spoke from partial information. I am now in a position to put in a Paper showing, in a classified form, the deposits of all the banks in Scotland. They are arranged under the heads, first, of sums not exceeding 100 *l.*, and then 200 *l.*, 300 *l.*, 400 *l.* and so on to 1,000 *l.*; then 2,000 *l.*, 3,000 *l.*, 4,000 *l.*, and 5,000 *l.*, and then 10,000 *l.*, 15,000 *l.*, 20,000 *l.* and upwards. The figures brought out show that the sums under 100 *l.* amount to 11,768,317 *l.* or 15·44 per cent. of the whole deposits of Scotland. Then the sums exceeding 100 *l.*, and not exceeding 200 *l.* amount to 8,848,000 *l.*, being equal to 11·66 per cent of the whole. So that the sum total of the deposits held, not exceeding 200 *l.*, amounts to 20,616,000 *l.*, and they are equal to 27·10 per cent. of the whole deposits of Scotland. I suppose I need not particularise the others, as they will be found in the print. (*The Paper was delivered in*, see *Appendix.*) Then I have another statement, showing the number of deposit customers in Scotch banks classified in the same way. We find that the total number of deposit customers is 417,657, and that of those the depositors of sums not exceeding 100 *l.*, are 290,885, forming 69·65 per cent. of the whole number of deposit customers. Then of the depositors of sums exceeding 100 *l.*, and not exceeding 200 *l.*, the number is 56,445, forming 13·52 per cent. of the whole. So that the number of depositors in Scotland whose deposits do not exceed 200 *l.* per individual is 347,330 out of a total of 417,657, being 83·17 of the whole. The other details are also given in the same form. (*The Paper was delivered in*, see *Appendix.*) It has been already explained, that by individual depositors we do not mean merely deposit receipt holders, but individuals who have money to their credit with the bank in any form.

Mr. *Backhouse.*

1315. If a depositor has, for instance, 12 deposit receipts for 100 *l.* each, does he count for the 12 receipts, amounting to 1,200 *l.*, or as one depositor for 1,200 *l.*?—He counts as one depositor; but it is only right to say that while each bank, in making up its statement, has been instructed to reduce it to the form which you have mentioned just now, it is possible that one individual might reappear as a depositor in another bank, so that there may be some repetition in that way; but we do not think that it can be to any material extent.

Mr. *Balfour.*

1316. If a man banked at two branches of one bank, how would that be represented?—I think you may take it that each bank's return correctly represents the individual depositors of that bank. It is a very exceptional thing, I think, for anyone to have deposits at different branches; I do not think that will much affect the importance of the statement.

Mr. *Backhouse.*

1317. Do you keep your deposit receipts in a ledger, or have you running numbers, and do you write them off against each number?—We keep them in running numbers; there is not a separate account for each depositor; but at the same time the index leads you to know how many deposits a man has.

Chairman.

1318. You were asked a question last Monday (No. 1141), by the honourable Member for Maidstone, with regard to the discrepancy appearing in the amount of the circulation of the notes of the Western Bank in the private balance sheets in 1854, 1856, and 1857, as compared with their authorised issue; are you able to give any further explanation upon that subject?—Yes, that can quite easily be explained. It is quite a mistake to suppose that these figures are taken from private balance sheets; they are not taken from the balance sheets of the bank, but from a balance made up at the head office of the bank, and the figures shown as notes represent the total amount

Mr. *Gairdner*, and Mr. *Fleming.*

13 May 1875.

Mr. *Gairdner*, and Mr. *Fleming*.

13 May 1875.

Chairman—continued.

of notes that had been printed and were ready for use, and were held partly at the head office, partly at the branches, and partly by the public. The statement in Mr. Somers' book is therefore misleading unless it is taken in that sense. (Mr. *Fleming*.) I think I might perhaps be able to make that perfectly plain by taking the exact figures of the Royal Bank's balance sheet of the 18th of September 1874. In the published balance sheet of the Royal Bank, there is this item: "Notes in circulation, 864,707 *l*.;" but in the ledger of the bank the account stands, "Royal Bank notes struck, 2,269,746 *l*"; that is to say, that there are Royal Bank notes to that extent, either issued or ready to be issued, the difference between these two sums being the amount of notes held by the Bank. Then on the other side there appears this item, "Cash at Edinburgh and branches, 2,536,601 *l*." The notes of the Royal Bank in the hands of the officers of the bank are for book-keeping purposes dealt with as cash; but in order to get at the actual cash you take off 1,405,346 *l*., being the amount of notes on hand; and the difference, being 951,255 *l*., is the amount of cash held as shown by the published balance sheet. It was so exactly in the case of the Western Bank. The figures given by Mr. Somers represent the total Western Bank notes manufactured at the dates of the balance sheets to which he refers.

1319. (To Mr. *Gairdner*.) I think that you also wished to give some further answer to the Question (No. 1222) put to you by the Honourable Member for Glasgow, with regard to the number of notes of the Western Bank supposed to be outstanding?—Since Monday, I have made inquiry of the liquidator of that bank, and I have got from him a statement to the following effect: On the 1st August 1870, the total amount of notes unpresented for payment was 7,028 *l*. That consisted of one 100 *l*. note, seven 20 *l*. notes, amounting to 140 *l*.; 17 10 *l*. notes, amounting to 170 *l*.; 117 5 *l*., amounting to 585 *l*.; and 6,033 1 *l*. notes; making a total of 7,028 *l*, which was outstanding at that date. At that date the liquidator made an arrangement with one of the other banks with a view to the final closing of the liquidation, under which that other bank, in consideration of a sum of money undertook the liability upon those notes then outstanding; and I learn from that bank, that since 1870, they have paid 243 *l*.; so that the amount outstanding at the present time is 6,785 *l*. That is the amount arising out of a circulation which may be taken, I believe, to have averaged about 450,000 *l*., and the Western Bank had been in operation for about 27 years; so that the profits arising out of the lost notes is not a very great affair spread over a series of years.

Mr. *Anderson*.

1320. What did the Western Bank pay the other bank for undertaking the liability?—I believe they paid one-third of the amount then outstanding.

1321. Then the two-thirds might be fairly supposed to be the amount that they expected would be ultimately lost?—I fancy that that was the estimate at the time of the expected result.

1322. Have you any similar statement about the unclaimed or lost deposits of the Western Bank?—I have a little information about it; but

Mr. *Anderson*—continued.

I do not think that I can put it in, as it does not seem to be complete.

1323. Can you send it in at a subsequent date?—The amount of deposits unclaimed on the 1st August 1870, was 13,408 *l*., and a similar arrangement was made with the other bank in respect of the deposits, of which they undertook the responsibility in consideration of being paid one-third; but I have no statement as to how far that has worked out.

Mr. *Balfour*.

1324. You said, I think, that the amalgamation of Scotch banks was beneficial both to the public and to the banks?—I think so.

1325. Is there any reason why that process should stop?—There is nothing to stop it, excepting the convenience of the banks. I do not know any reason why it should stop.

1326. If it is beneficial, I presume that it will go on?—I cannot say as to that. I suppose that there is some limit with regard to it, and that at a certain point they will find an inconvenience in amalgamating.

1327. If it was carried very far, I suppose it would destroy the possibility of competition?—It might do so, if it was carried too far.

1328. The banks, you said, came to a common agreement with regard to the terms which they offered to the public?—Yes.

1329. And it appears by another statement that the result of that agreement is to hand over about 500,000 *l*. annually to the people of Scotland; so that the Scotch banks might raise their terms to a point which would still be under the English bankers' terms, and by that means, as I understand, gain a profit of over 500,000 *l*.?—No doubt it might be so, but that is not quite the way in which it was put. With a view to contrasting the margin of profits enjoyed by the Scotch banks with that of the English banks we adopted the principle of contrast which we found in the "Economist," newspaper, and the result of applying that principle to the balance sheets of the banks was to bring out that result.

1330. But the difficulty is to understand why they should keep down their profits when they came to an agreement about their terms, and when they might raise them, without fearing any foreign competition?—They have not done so; they have given the public that advantage.

1331. It is rather curious, is it not, that they should do so?—I think it might be stated in answer to the question, that the rates which we charge to the public for loans are, in the main, regulated by the rate that prevails in England. The Bank of England rate is the starting point, and it forms the criterion for fixing the other rates. In that way you arrive at the rate which the Bank receives from the public; and the greater liberality of the Scotch banks consists, no doubt, to a large extent, in the first place, in the fact, that we allow interest upon the daily balances of accounts, which is not usual in England, by means of which, I think it is, that we attract such a large amount of the smaller classes of depositors; and also that the scale of commissions is lower than that which prevails in the country districts in England.

1332. Then, your view would be, that the profits of the Scotch banks are not kept down by competition, but that they are kept down by the fact that it would not pay them to give worse terms to depositors?—I am not prepared to say

Mr. *Balfour*—continued.

so; these things work into the position that we are in by experience. The fact is as I state it.

1333. Are you aware that Mr. Gilbart states in his book on Banking, that the reason why the system of having a banker is so much less diffused in England than in Scotland is owing to the inferior terms offered by London bankers to depositors?—I think so.

1334. Would the Bank of Scotland, for instance, which has established a branch in London, give the same terms to its London customers as it does to its Scotch customers?—I cannot answer that question. (Mr. *Fleming*.) The Royal Bank which I represent, has a branch bank in London, and our principle in London is to follow the example of the London Joint Stock Banks, both as to charges and as to rates of interest allowed; practically, the rates of interest allowed in Scotland, as well as in London, on deposit receipts, are precisely the same as those allowed by the Joint Stock Banks in London.

1335. I believe the London Joint Stock Banks make a charge for keeping an account, whereas the Scotch Banks make no such charge?—I am not aware that the London Joint Stock banks do make a charge; the private bankers in London do, I believe.

1336. My information is derived from Mr. Gilbart's book, and he certainly distinctly states that the London Joint Stock Banks make a charge?—Perhaps it may be true in a sense; all London banks, including the Joint Stock Banks, stipulate that each customer shall maintain a certain balance from the use of which they derive their profits. In that sense, there is a charge made by every London banker, and, I suppose, by every Scotch banker in London; certainly that is the principle upon which the branch of the Royal Bank is conducted in London.

1337. That is not the case with the Royal Bank of Scotland in Scotland, is it?—It is not the case with the Royal Bank of Scotland in Scotland; in short, the Royal Bank of Scotland in London tries to carry on its business upon precisely the same principles as the London Joint Stock Banks do.

1338. In fact, the introduction of the Royal Bank of Scotland to London would not lead to giving London the advantages of the Scotch system of banking?—It would not.

1339. Would a large increase of London business involve an increase of capital on the part of the bank carrying it on?—I think not. The Royal Bank of Scotland has as large a capital as any Joint Stock Bank in London, and larger than a great number of them.

1340. It could enlarge its business without increasing its capital?—Certainly; if the London Joint Stock Banks can carry on their business with the capital that they have, then unquestionably the Royal Bank of Scotland can do so with it present capital of two millions.

Mr. *Mundella*.

1341. Although a London banker requires a certain standard balance to be kept by his customers in proportion to the amount of business done, he charges no commission, does he?—I believe not.

1342. But in Scotland you charge commission, do you not?—No, such a thing is utterly unknown; we charge no commission upon current accounts of any description.

Mr. *Mundella*—continued.

1343. Do you consider that deducting your losses by bad debts, and your expenses from your profits, your charges are more liberal to your customers than the charges of the London banks?—I have not a doubt upon that point.

1344. You think that the difference does not arise from any difference in bad debts, or from the large expenditure consequent upon your maintaining such a very much larger number of branches than the London banks do?—Our expenses are no doubt higher than the expenses of the London Joint Stock Banks, because they have hardly any branches; but certainly our bad debts have been for a great number of years exceedingly moderate so far as my knowledge goes. I noticed the other day that a question put by Sir John Lubbock rather implied a doubt upon that point; I understand that Sir John Lubbock has repudiated that construction of the question; but having seen the question, I had the curiosity to go back for the last ten years upon the experience of the Royal Bank of Scotland with regard to its bad debts; and if it should be wished I have no objection whatever to lay the result before the Committee. The bad debts are amazingly small, and I have no doubt whatever that they will compare very favourably with those of the English banks.

1345. It is undoubtedly shown that the rate of profit to the banker in Scotland is lower than the rate of profit to the banker in England, but might not that arise from the fact that your expenses are larger in proportion to the business done than they are in the case of the English bankers?—That would be so if the difference in expense were equal to the difference in profit. (Mr. *Gairdner*). It has been stated that the expenses might be held to be about 1 *l.* or 1 *l.* 1 *s.* per cent. upon the deposits.

1346. (To Mr. *Gairdner*). As compared with what in England?—We have no information as to the English country banks.

1347. You were asked whether you might not, by arrangements between yourselves, raise the rates of profit; in fact whether you were not dealing benevolently with your customers; but would not that also involve raising the rate of interest which you would have to pay upon deposits?—We do raise the rate of interest higher than the rate given in England, not upon deposit receipts but upon current accounts. We are more liberal in the rate of interest which we allow than they are in England.

1348. But you have very large deposits in Scotland, and if you were to charge a higher rate for accommodation then the natural result would be, would it not, that you would have to give a higher rate for your deposits?—I do not see that. (Mr. *Fleming*.) I should say with reference to that question that that result would not follow, because if depositors could not receive a greater rate of interest by transferring their deposits from Scotland to England they would not do so. The only circumstances which would force up the rate of interest on deposits in Scotland would be competition on the part of the bankers in England; and as the rates are identical, I apprehend that any increase of charges by the Scotch banks would not necessarily be followed by an increase in the deposits rates.

1349. (To Mr. *Fleming*.) Seeing the very large

Mr. *Gairdner*, and Mr. *Fleming*.

13 May 1875.

Mr. *Gairdner*, and Mr. *Fleming*.

13 May 1875.

Mr. *Mundella*—continued.

number of banks existing in Scotland in proportion to its population, as compared with England, I assume that you consider that England is very much under-banked, so to speak?—According to our Scotch notions it is, certainly.

1350. And you think that that is a very great disadvantage to the English population?—To the people, we think it is so, and probably to the banks as well.

1351. Will you state what, in your opinion, are the disadvantages?—The experience of the Royal Bank in the establishment of branches, even in the same town in which it had previously a branch, for example in Glasgow, is this: that there has been a very large extension of deposits through those sub-branches, without any falling off in the deposits at the principal office in the town; we have some eight or ten offices (I forget how many) in Glasgow; one a principal office, a kind of centre, and the others sub-branches, all established in the course of years. The result has not been the abstraction from the central office of any appreciable amount of deposits, and there has been a large increase of deposits at these sub-branches, showing that the extension of branches, even in the same town, if it is large enough, is attended with advantages to the public, and to the bank as well.

1352. Then I am right in assuming that your opinion is that the Scotch system develops business and increases thrift in a much greater degree than the English system?—It undoubtedly increases thrift; but I do not know that it has the effect of developing business; it develops the keeping of banking accounts; I apprehend that the result of the establishment of these suburban branches is to induce the small shopkeepers in the neighbourhood, who would never have thought of keeping a banking account but for the facilities which the branch bank gives them, to open an account.

Mr. *Leveson Gower*.

1353. Did I correctly understand that you do not in your London branch take in deposits?—We take deposits; we have only been in existence in London for about six months, so that the branch is quite in its infancy; and we cannot say much from our experience; but if any person comes to the office of the Royal Bank and wishes to deposit money in London, we take it of course.

1354. Do you see any reason why ultimately the system which is carried on in Scotland might not be carried out by you in London?—I do not think, speaking for myself, that it would ever be the policy of the Royal Bank to enter into competition with the London bankers on different principles from those by which business in London is at present regulated; that is my feeling.

1355. I think it has been suggested that the branches of the Scotch banks undertaking London business might render their notes less safe in Scotland; do you think that there is any ground for that supposition?—I think that is entirely without foundation.

1356. But supposing that that were the case, that would be a Scotch and not an English grievance, would it not?—That would be a question for the people of Scotland. If the people of Scotland were making that representation, then I should say that it was entitled to great weight with this Committee and with Parliament; but as it comes from a class in England who are by

Mr. *Leveson Gower*—continued.

no means interested in the question, I am utterly at a loss to conceive on what it proceeds, or to see its relevancy to this inquiry.

1357. (To Mr. *Gairdner*.) I understand that the process of absorption took place in Scotland before 1844?—Yes, chiefly before 1844.

1358. Then it has not been accelerated since 1844?—No; the number of banks in 1844 had been greatly diminished, and of course there was not the field for absorption. The smaller banks had been absorbed before 1844, and the private banks had wholly disappeared before 1845.

1359. Then this process need not necessarily be referred to the legislation of 1844 and 1845?—No; I think it is quite independent of that.

Mr. *Backhouse*.

1360. I think you said on the last occasion that there had been no loss to the note holders, except from some private bank; has any private bank failed in Scotland for the last 50 years?—I am hardly prepared to answer the question positively; I do not remember any instance. There are cases of private banks having failed; but I think the private banks that failed, must have failed in the early part of the century.

1361. There has been a letter received by myself, and probably by the other members of this Committee, from a gentleman in Scotland, who alleges that you built your fine bank buildings out of unclaimed deposits, and from dividends from deceased estates. I think you said on the last occasion that your unclaimed deposits were very small?—Very small indeed. A few years ago I took a great deal of trouble to try and seek out the parties interested in deposit receipts which had not been applied for for some years, and the amount was very trifling so far as we were concerned.

1362. I take it that the object of your calculation with regard to the profit per cent. upon the Scotch deposits as compared with the English deposits, is to show the advantage of the Scotch system over the English system, or rather to depreciate the Eglish system or banking?—My object was to bring out in a fair contrast the results of banking in the two countries, and I adopted a mode of contract which I found had been used, and was well understood, as having been used by the "Economist" newspaper. It seemed to me to be fair, and I have applied it precisely as I found it.

1363. Are there not two very important elements left out in such a calculation as that, viz., the extent of the business, and the expense of conducting it, both of which figures would materially alter the result without affecting the amount that was paid by the public for the banking accommodation?—No doubt, at the same time I can only deal with the figures which were published. In addition to these published figures I have, in so far as the expenses are concerned, mentioned to the Committee what I believe may be held to be a fair statement of the expense of bank management in Scotland.

1364. Therefore any such statistics would be quite misleading to any minds which were not well acquainted with the full bearing of the subject?—No, I think not. In order to make the statistics complete, it would be desirable that the Committee should have a corresponding statement from the English country banks in regard to their expenses,

Mr. *Backhouse*—continued.

expenses, and then I think they would have the materials for a sound conclusion.

1365. But at best it can only give a very general impression of the results and not the real state of the facts, can it?—I think it gives a very fair criterion of the results, particularly when you apply it to the total liabilities as well as to the cash deposits.

1366. You say that the Scotch banks make 1 *l.* 1 *s.* 11 *d.* per cent. upon their deposits, and that their expenses are 1 *l.* 1 *s.*; that leaves the gross receipt from the public on deposit at 2 *l.* 2 *s.* 11 *d.* for gross banking profits; you stated that the London joint stock banks in 1873 received a gross banking profit of 1 *l.* 6 *s.* 3 *d.*, and in 1874 a gross banking profit of 1 *l.* 1 *s.* 1 *d.* If we take the latter sum of 1 *l.* 1*s.* 1 *d.* for 1874, and add their expenses, which were 13 *s.* 4 *d.*, it would appear, would it not, that the gross banking profit made by the London joint stock banks was 1 *l.* 14 *s.* 5 *d.* per cent., while the Scotch banks' profit was 2 *l.* 2 *s.* 11 *d.* per cent.?—In answer to that, I would say in the first place that the profit of the London joint stock banks in 1874, and especially in the latter portion of the year, was quite exceptional, their margin of profit being much smaller than usual, and that occasioned a good deal of grumbling, as was seen in the newspapers.

1367. Take 1873, when the gross profit was 1 *l.* 19 *s.* 7 *d.*, as against 2 *l.* 2 *s.* 11 *d.*, still the balance of profit was in favour of the Scotch banks, was it not?—I do not consider the contrast between the London Joint Stock Banks and the Scotch banks as a fair contrast; I think the fair criterion is with the English Provincial banks, but I put in the London banks in order to show the result to the Committee.

1368. If I tell you that the largest English joint stock provincial banking company receives a a less sum per cent. upon its deposits than the Scotch banks, do you think that your statement really shows anything at all?—I do; I think that the larger English banks may very possibly conduct their business upon terms as favourable as the Scotch banks for aught I know; but the banks generally throughout England, I think, do not do so.

1369. I take it that considering the small places where there are many banks in Scotland, there are a vast number more branches maintained in Scotland, taking the banks as a whole, than are absolutely necessary to well conduct the banking business of the country. If there was an amalgamation of the 11 banks into three or four, and say half the branches were reduced, would 500 *l.* a branch be an unfair sum to state as the saving of expense, which would amount to 224,000 *l.* a year, or 2¼ per cent. extra profit upon the capital of the Scotch banks?—I think 500 *l.* a year would be too much to assume as the expense of the average branches, in so far as our Scottish experience goes.

1370. But you admit the principle generally, that if the Scotch banks were more concentrated, there would be a considerable increase of profit to the shareholders of those Scotch banks?—I admit that the element of expense of management is a fair element to take into this contract, if you can get it. I have supplied the Committee with an estimate of the expense of the Scotch management, and if they can supplement that by

Mr. *Backhouse*—continued.

getting the expense of the English banks, then I think that the materials are complete.

1371. Has it not been the habit of the Scotch banks to write off their building account as a reserve for bad debts a considerable sum; and also a sum for the purchase of the good will of other banks, before they stated their declared profits to their shareholders?—I think not; I think they first state the declared profits, and then write off to the building account, and to those other matters that you refer to.

1372. In the case of the Bank of Scotland, it is well known that it has paid either 120,000 *l.* or 150,000 *l.* as good will for the central bank, which is written off profits; is that written off their published profits?—I cannot tell you anything about that. I know nothing of the circumstances of the purchase of the Central Bank.

1373. Do you know what was the position of the Central Bank when the Bank of Scotland purchased it?—No.

1374. Do you know that the whole of its capital was lost?—I do not know.

1375. Do you know whether there was not a large forgery upon the Bank of Scotland at about the same time of 45,000 *l.*?—I do not remember the circumstances, but there was a large loss made at Leith no doubt.

1376. Have there not been notoriously very large advances made by the Scotch banks to many firms out of which in some cases very large losses have arisen?—No, not so far as I am aware.

1377. With regard to your charges, I think you stated just now that the Scotch banks made no charges upon current accounts; but there was a scale put in the other day in which you state charges for transacting business, though they may not be, strictly speaking, charges on current account?—There is no case of a charge upon a current account.

1378. Is it not your practice to charge the receiver of money, and not the payer of money, as the English practice is; you charge for the collection of credits rather than for the payments to the debit side of an account, do you not?—We charge for the transfer of money from one place to another.

1379. Is not that a charge upon a banking transaction?—Of course it is a charge upon a banking transaction, and we have put in the scale of charges upon such transactions.

1380. Do you not charge the receiver rather than the payer of money, the English practice being more generally to charge the payer?—The English practice in many cases, as I understand, is to charge a man for passing cheques upon his own account; that is unknown with us; the scale of commissions has been put in, and we invite examination of it, and believe it to be much below what is prevalent in England.

1381. Are you not aware that the English practice is, when they charge on the debit side of an account, to collect those sums, for which you make a scale of charges, free of any other charge to their customers?—I am not aware of that.

1382. When you receive a cheque from an English country bank upon yourselves, you make a charge for commission for paying in London, do you not?—We do.

1383. When you send a cheque to an English

Mr. *Gairdner*, and Mr. *Fleming*.

13 May 1875.

Mr. *Backhouse*—continued.

country bank to be paid over in London, do they ever make a charge to you for making the pay-in London?—They do.

1384. Can you give me any instances in which they have done it?—It is the regular practice, so far as I am aware of; if we have cheques upon provincial banks, and ask them to make the money available to us in London, we are subjected to such a charge. (Mr. *Fleming*.) I have no hesitation in saying that such charges are frequently made to us by English bankers; we cash English provincial cheques in Scotland; we send them for collection to the banker on whom they are drawn in the provinces; we ask him to pay the money in London, which he does; he makes a charge, and that charge is sometimes a quarter per cent.; we make that charge to our customers, but we make no charge on our own account.

1385. When it goes through the Clearing-house you have no charge made upon you, have you?—I am not talking now of cheques going through the Clearing-house. We do not look upon ourselves, having regard to what is due negotiation, as entitled to send a country cheque to London to be passed through the country Clearing-house, unless with the authority of our customer. If our customer says "We wish you to send all such cheques to London," then we do so, and we make no charge. If, on the other hand, he declines to accept the responsibility of the delay which results from sending it through the country Clearing-house, then we send it to the banker upon whom it is drawn if we have no correspondent in the town upon which it is drawn, and we ask him to pay the amount in London. He makes his charge and we account to our customer for the amount without making any charge on our own account. If the cheque is negotiated through the country Clearing-house in London, it is credited to our customer without any charge, and no charge is made against us, but then there is a delay of three or four days. If we cash a cheque in Glasgow on the first of the month, we send it to London, it is passed through the country Clearing-house and we get credit for it on the fourth or fifth day afterwards.

1386. (To Mr. *Gairdner*.) The scale of charges agreed amongst the banks is a minimum charge, I take it, and not a maximum?—It is a minimum charge, but practically, it is the only charge that is used.

1387. At what rate do you charge an overdrawn account; have you any fixed rate for that?—We have what we call our cash credit rate, which varies according to the rate of the day. At the present moment it is 5 per cent. Those are operative accounts with debit balances against either personal security or securities of another kind.

1388. Do you ever charge less than 5 per cent. upon overdrawn accounts?—Four-and-a-half per cent. for many years has been the lowest rate which we have charged upon cash account rates.

1389. A cash account rate means a fixed amount of loans, does it not?—No, it means an operative account.

1390. Charging interest from day to day upon an account actually overdrawn?—Yes. (Mr. *Fleming*.) I happen to have before me a statement for the last five years containing the averages for those five years of the Scotch rates upon all descriptions of loans and also upon deposits as contrasted with the Bank of England average rate; and I find from this statement that in the years 1870 and 1871 the rates for cash accounts were under 5 per cent. It was 4·58 per cent. in 1870, and 4·71 per cent. in 1871; that is the interest charged. (*The Paper was delivered in*, see *Appendix* 8.)

Mr. *Backhouse*—continued.

Mr. *Orr Ewing*.

1391. (To Mr. *Fleming*.) Have you any objection to hand in to the Committee a statement of the losses during the last 10 years, sustained in respect of bad debts by the Royal Bank of Scotland?—I have no objection to do so; I should not have volunteered such a statement, but the remarks made by Mr. Backhouse, which rather indicated an opinion on his part that the Scotch banks have made a large amount of bad debts, should, I think, be met. I think it is valuable also in this respect: that the profit of the Royal Bank of Scotland, calculated upon the basis which was explained to the Committee on a previous occasion, happens to be very small; so that with a very small amount of bad debts made during the last 10 years, the result proves, I think, conclusively that the calculation made over all the banks, and submitted by Mr. Gairdner, is, on the whole, sound.

1392. Will you state the losses which have been written off for bad debts during the last 10 years?—The form in which I have it is the per-centage upon our banking advances, as appearing in every annual balance from the year 1865 to the year 1874, both inclusive. I can tell you the amount written off and provided for; our practice in the Royal Bank is every year to examine with the greatest care at the annual balance the whole of the debts which are supposed to be in any respect doubtful. If a debt has been exhausted it is written off, if it is not exhausted, if there are dividends to be received from the estates of co-obligants, it is maintained in our books, but provision is made to the extent to which we consider at the time there is a probability of loss. We find in practice that the provision so made is in excess of the actual loss. Starting with 1865, our banking advances were 8,206,985 *l.*; consisting of cash credits, of over drafts, and of bills, the bills being to the extent of something between 5,000,000 *l.* and 6,000,000 *l.*, though I have not the details of that here. The bills of course are turned over two or three times in the course of a year, but I make no allowance for this turning over; I simply deal with the aggregate of the banking advances as they stand in the balance sheet; and starting in 1865 with the amount which I have given, and coming down to the year 1874, I find that the amount has increased from 8,206,985 *l.* to 10,431,503 *l.*, at which they stood according to our last balance-sheet in September 1874, the increase being gradual during the interval. I need not trouble the Committee with the figures, but if it is wished I will put the statement in. The per-centage of losses in the year 1865 was 1 *s.* 2 *d.* per cent.; in 1866 it was 9 *d.* per cent.; in 1867 it was 1 *s.* 2 *d.* per cent.; in 1868 it was 11 *d.* per cent.; in 1869 it was 10 *d.* per cent.; in 1870 it was 1 *s.* 10 *d.* per cent.; in 1871 it was 2 *s.* per cent.; in 1872 it was 1 *s.* 5 *d.* per cent.; in 1873 it was 5 *d.* per cent.; and in 1874

Mr. *Orr Ewing*—continued.

1874 it was 5 *d.* per cent. The average for the 10 years was 1 *s.* 1·$\frac{23}{100}$ *d.* per cent.

Chairman.

1393. Upon what are those per-centages taken?—Upon the total amount of the banking advances; I do not include Government securities or reserves in any shape or form. This is simply the amount standing in the balance-sheet as lent to the public in the various forms in which banking advances are made, these forms being three, viz., the discount of bills, the cash credits, and the over-drafts.

1394. Can you give in the gross amounts?—The gross amount during the 10 years is 88,563,613 *l.* Then, if you consider the number of times that bills are turned over in the course of a year, I think you would require to multiply that by 2½ or 3, so that you have something like 200,000,000 *l.* of money handled during the 10 years, with that result of loss.

Mr. *Goschen.*

1395. Have you the gross amount of loss in figures?—Yes. The gross amount of loss was 48,811 *l.* during the 10 years.

1396. Will you hand that Paper in?—I have no objection to do so. (*The Paper was delivered in*, see *Appendix* 8.) I should explain that while these are the debts actually written off, our practice is to make a larger provision than this denotes; this does not mark the provision actually made. The consequence of over-providing was, that two years ago we withdrew from the guarantee fund, as we call it, for losses, a sum of 30,000 *l.*

Mr. *Backhouse.*

1397. I take it for granted that like, all prudent bankers, you take care to keep an ample cover for any contingencies that may arise?—Exactly.

1398. (To Mr. *Gairdner.*) You have put in a Paper with regard to the scale of charges; this is the permanent basis, is it not, upon which the Scotch banks agree to their charges?—Yes.

1399. Is there not a circular issued on every change of the Bank rate in addition to this?—No, it is revised and readjusted from time to time; but I believe that what you have is the scale at present in force.

1400. It is marked as a minimum scale in your returns, is it not?—I think so.

1401. You stated, I think, a the last meeting of the Committee that the small traders have quite as favourable items as the large traders; but I see on your scale that there is a reduced rate of per-centage for the payment of large sums, so that the small trader hardly derives the same benefit as the larger trader does?—The large trader has often as much to do with the small sums as the small traders have; that was stated by Mr. Davidson, and, as a general statement, I believe it is true.

1402. What do you allow on deposits as compared to the Bank of England rate?—As a general rule, when the Bank rate is a medium rate, as it is at present, the rate upon deposit receipts is 1 per cent. below the bank rate. The present rate is 2½ per cent., the Bank rate being 3½ per cent.

1403. Do you know whether any of the Scotch banks allow 4 per cent. in London?—No, I do not.

1404. Do they take any money from the

Mr. Backhouse—continued.

English banks at seven or fourteen days' notice?—I do not know. (Mr. *Fleming.*) I may say that, so far as the Royal Bank is concerned, we do not.

1405. (To Mr. *Fleming.*) In no instance have you allowed only one-half per cent. below the Bank rate upon English deposits, I suppose; you maintain the same scale as the London banks?—Yes, that is so.

1406. (To Mr. *Gairdner.*) Are you in the habit of lending much money on the Stock Exchange?—No.

1407. Are any of the Scotch banks in the habit of doing that?—I cannot speak for the Scotch banks generally; but, as far as we are concerned, we do not.

1408. I think you stated that one of the advantages of having a London branch was, as regards the management of your surplus funds; would it not be quite possible to manage the surplus funds through your own manager in London, without having a bank in London?—I have no branch in London, and therefore I do not know.

1409. Do you not yourself consider that the charge made by a London agent for conducting your business is less than it would cost you yourselves to have a bank in London to manage it, irrespectively of any London business that you might obtain?—I have never seriously considered the question of a London branch, and therefore I cannot answer the question.

1410. In answer to the honourable Member for Glasgow, at Questions 1247 and 1248, you stated that Scotch banks required less coin for their system; does not that answer of yours require to be supplemented by the fact that you depend upon, and can obtain from England, where you employ money at interest, any amount of gold that you may require for the purposes of your business?—No doubt; I explained that we keep our reserves in London, and that London being the mart for gold in this country, we naturally get it from there when it is required.

1411. If you were dependent upon your own banking system alone, and you had foreign exchange transactions to conduct direct with foreign countries, you would require a much larger reserve of coin, would you not?—Yes; but we have very little to do with foreign exchanges.

1412. I think you stated that all your deposits and liabilities were at call?—Yes.

1413. Do you consider that a reserve of 6,300,000 *l.*, of which 3,854,000 *l.* is required for your excess of circulation, leaving 2,416,000 *l.*, is a sufficient reserve for the banking requirements of Scotland?—It has been already explained that we do not regard that as the total of our reserves. The bulk of our reserves are necessarily maintained in London.

1414. With that you consider that you can safely place three-fourths of your reserve in profitable employment at interest?—We think so, and we point to experience as proving the fact.

1415. Can you in all cases rely even upon selling consols in time of very great pressure?—You usually can, but it is very seldom that there is any occasion to sell consols for that purpose.

1416. You must remember that in addition to meeting your deposit and current account liabilities, you have to maintain the stability of the circulating medium of the country?—Each

Mr. *Gairdner*, and Mr. *Fleming.*

13 May 1875.

Mr. *Gairdner*, and Mr. *Fleming*.

13 May 1875.

Mr. *Backhouse*—continued.

bank has to understand its own business, and to maintain suitable reserves, which they do.

1417. But they are enabled to do it because they now employ such a large proportion of reserves at interest in England, are they not?—The reserves are maintained in London, as I have explained.

1418. Can you tell me what amount of coin was withdrawn from London in 1857, when, I think, there was some degree of panic prevailing in Scotland?—I cannot do so; I have not the figures here.

1419. But from your knowledge, you are quite aware, are you not, that the sudden withdrawal of a very large amount of coin from London would increase the pressure upon the English money market very considerably?—No doubt.

1420. The capital, I think, of the Scotch banks has decreased since 1845, whereas the deposits have more than doubled?—The capital has slightly decreased, from the absorption of the smaller banks.

1421. And from the failure of the Western Bank of Scotland?—And from the failure of the Western Bank of Scotland.

1422. I think you admit that practically, though not theoretically, there is a monopoly by the existing banks in Scotland, owing to the Acts of 1844 and 1845?—We have had no new banks since that time, as has been explained.

1423. Do you think that it would be of advantage to Scotland that the Scotch banks should be incurring large liabilities in England under distant management, in addition to their banking responsibilities in Scotland, both of issue and of currency?—I am not in that position, and I would rather decline to sit in judgment upon my neighbours, in whose judgment I have great confidence.

1424. Does not, what you presume to be your power of cheap banking, very considerably arise from the special legislative privileges which you have, which enable you to keep notes in your till which are not issued until they are absoluely required?—We do not regard what you call the legislative privileges as being of that character. The right to issue notes, which is, I suppose, what you referred to, is a right which the Scotch banks have always enjoyed; it is part of the system of banking, and it continues to be enjoyed, subject to the restraints imposed by the Act of 1845. The Act of 1845 conferred no privilege; it left the right untouched, except to the extent of the restraints which were provided by the Act.

1425. Putting it in your own way, have not the rights which you have enjoyed, which have been restricted by the Acts of 1844 and 1845, and which created a monopoly to you, enabled you to bank more cheaply?—I think so.

1426. You are aware, I suppose, that English banks have been started since 1845 with a larger capital than the capital of all the Scotch banks together?—Probably that is so.

1427. How can you account for the savings banks' deposits having risen from 800,000 *l.* to 5,000,000 *l.*, while the banking deposits have only increased from 35,000,000 *l.* to 78,000,000 *l.*?—We think that the savings banks' deposits in Scotland have increased much less than might have been expected, because the Scotch banks serve the purposes of savings banks.

1428. But as I read the evidence, the deposits in the savings banks, which were 800,000 *l.* in 1845, are now 5,000,000 *l.*; and the bank deposits, which were 35,000,000 *l.* in 1845, are now 78,000,000 *l.*; one having multiplied six times, and the other only twice?—Yes; but the banks have increased by a very much larger sum than the savings banks; and we think that the evidence laid before the Committee in regard to the small deposits in the Scotch banks, shows that they have served the purpose of savings banks, and done it with greater effect.

1429. A large amount of your best deposits, I take it, are those of small sums?—Yes, I think they are.

1430. Have the savings banks taken many of those deposits from you?—Not so far as I know.

1431. The savings bank money is used in London, whereas yours is lent to the district from which that money springs, is it not?—To a large extent it is so.

1432. Are you aware that in English banks the proportion of small depositors is very large also?—I am not.

1433. Have not all the facilities of banking, and the increase of cheques, saved the necessity for an extension of note circulation, which is the requisite currency for carrying on the business of the country, very considerably of late years?—I think that the extension of branches of banks in Scotland has tended to economise the use of notes from affording facilities to every one to have a bank account, and lodge his money in a bank.

1434. You have been asked with reference to till money and the saving of keeping 1 *l.* notes, is not the same principle to be applied to your power of issuing 5 *l.* notes, so that if you were not allowed to issue 1 *l.* notes, but were still allowed to issue 5 *l.* notes, you would yet be able to save a considerable sum in the expenses of maintaining your branches?—No; I think that the loss of the right to issue 1 *l.* notes would be a very serious disadvantage to the banks.

1435. But still you keep a certain number of 5 *l.* notes in the tills of all your branches, do you not?—Yes.

1436. And that costs you no interest, being in the shape of unissued paper circulation?—Quite so. A question was put to me, on Monday I think, as to how far we put a value upon the 1 *l.* note as distinguished from the 5 *l.* notes, and notes of larger denominations, and that question I was unable to answer; but there is no doubt that the 1 *l.* notes are of very great importance in the carrying out of the system that exists in Scotland.

1437. Can you tell us the amount of notes kept in the tills of the various branches, exclusive of the head office?—I am not quite sure whether it is included in any of the papers put in, but we could get at the fact.

1438. The amount of coin that you keep at the small branches, I presume, is very small?—Very small.

1439. It is not 100 *l.* perhaps, at some of the branches?—It depends upon the branch. In some small branches there are large payments of coin, and we require to keep a large stock.

1440. The power of issuing against gold gives you a very great advantage, does it not, inasmuch as it enables you always to issue to the full amount of your authorised limit?—Yes, I regard it as of great importance.

1441. Is

Mr. *Backhouse*—continued.

1441. Is there any exchange of notes after the close of business on Saturdays in Edinburgh or Glasgow?—There is.

1442. Only in Edinburgh and Glasgow?—Only in Edinburgh and Glasgow at present.

1443. Was any estimate ever made of what it would save you in stamp duty in the large towns by exchanging after business hours on Saturday in addition to the other exchanges of the week?—There has been no estimate made, but I do not think that it would amount to a very large sum.

1444. Is Saturday or Wednesday your largest day of circulation?—Saturday, we think; and we have endeavoured to test that by the return which has been put in.

1445. The test from the 29th of March to the 24th of April would be a very different test, would it not, from the same test, if it were applied in May and November, when your issues are largest?—No doubt. We should include our half-yearly term and show a larger amount of circulation at the times you refer to.

1446. Would it not be an advantage to you, if, instead of being obliged to bring the gold from England to Scotland, the warrant of the Bank of England, say that they held 500,000 *l.* in gold on account of a Scotch bank, was held to be within the meaning of the Act of 1845?—It would be a considerable saving. There was a very large sum taken down from the Bank of England within the last week to satisfy the Act, which, if your suggestion was adopted, would have been saved. (Mr. *Fleming*.) With reference to that allow me to say that I am scarcely prepared to concur in the expediency of substituting a warrant from the Bank of England, for I look upon it as one of the great advantages of the legislation of 1844 and 1845 that we have in Scotland a quantity of gold equal to 4,000,000 *l.* That advantage would not be derived from a system of warrants issued by the Bank of England. What would serve the same purpose, and leave the Bank of England unaffected, would be, that instead of taking a monthly average, you should take a six monthly average or a yearly average. That would be neither an advantage nor a disadvantage to the Scotch banks, but would simply leave them to hold all the year round, the average amount which at present they require, and it would save the frequent transmissions of gold to and from London

1447. That gold being clearly not by law specially held against your notes, but against all your liabilities? Hence the advantage of having it in Scotland. Before the Act of 1844, the Scotch banks held between 300,000 *l.* and 400,000 *l.* in gold, whereas they now hold 4,000,000 *l.*; I look upon that as a most decided advantage of the Acts of 1844 and 1845.

1448. Then, if I understand your answer rightly, you personally do not consider that the Scotch banks hold sufficient gold, and that it is very desirable that the gold held against the excess of issue should be in Scotland also?—I do not think that you can infer that from what I have said; certainly, I must have expressed myself very badly, if that is the result at which you have arrived. I did not mean to convey that opinion. The opinion which I meant to convey was that the 4,000,000 *l.* in gold satisfies the legal requirements of the Acts of 1844 and 1845, and that, in addition, it is a very great advantage to us to have such a stock of gold in Scotland in the event of any panic arising.

Mr. *Backhouse*—continued.

1449. If you were not obliged by the Act of 1845 to bring this gold down, you do not think that there is too much gold held now in Scotland?—I am glad that there is that amount of gold held, but I do not know what the result would be, supposing that the Acts were repealed, and that the state of liberty which the Scotch banks enjoyed before 1844 were returned to.

1450. (To Mr. *Gairdner*). Can you give us the average circulation before the exchanges take place?—We have no records to furnish that.

1451. Could you give us the total amount of notes signed and held by the banks beyond those actually in circulation?—We could get at it. Among the many returns which we have got, I forget whether we have it. (Mr. *Fleming*.) I have given you already the figures as applicable to the Royal Bank of Scotland. It depends to a large extent upon the number of branches which each bank has.

1452. The liability of the shareholders of the Bank of Scotland is limited, is it not?—I think so.

1453. The amalgamation with other banks has not affected the liability, I presume?—I make that statement chiefly upon the authority of Sir Robert Peel, who stated again and again that the liability of the senior banks was limited. The question has never been tested, and I hope it never will be tested.

1454. It is said that they amalgamated; but they purchased, that did not amalgamate?—They absorbed.

1455. You have not the deeds of settlement, I suppose, of the National Bank of Scotland?—No. The Bank of Scotland deeds, I believe, have been put in. So far as the Royal Bank of Scotland is concerned, I should be glad to put them in, if it is wished.

1456. Do those deeds limit them in any degree to banking in Scotland—Speaking for the Royal Bank (I cannot speak as to any other), they were limited to Scotland.

1457. You do not know whether the others were in the same words?—I do not.

1458. There are five chartered banks in Scotland, including the Bank of Scotland, are there not?—There are.

1459. In what way have they conformed to the English law of joint stock registration when they opened in England?—I cannot answer as to that with reference to the other banks.

1460. You are under an Act of Parliament?—We are under an Act of Parliament; and we have made no registration; we have been advised that that was unnecessary. The three senior banks are specially exempted by the Act of 1845 from making any return of their partners, and the reason of that is that they were regarded by Parliament as banks of limited liability.

1461. Would an action lie against those banks in England, or would the action have to be brought in Scotland?—I cannot doubt that an action would lie in England against a bank which is legally established in England.

1462. (To Mr. *Gairdner*). I think you quoted Mr. Palgrave's statistics on the last meeting of the Committee; have you deducted from them what is the average amount of deposit per head of the population in England and in Scotland?—No;

Mr. *Gairdner*, and Mr. *Fleming*.

13 May 1875.

Mr. *Backhouse*—continued.

No; the figures which I took from Mr. Palgrave's book were the figures relating to the cash deposits. I have not the book by me, but according to my recollection, Mr. Palgrave put together the cash deposits and the capitals of the banks, and his calculations brought out 215,000,000 *l.* as representing the capital and deposit money of the provincial banks in England. I assumed 200,000,000 *l.* as representing the deposits, and I thought that that was a very moderate sum. Applying a different test from Mr. Palgrave, I looked to the question of population, and it seemed to me a very remarkable thing if the population of 15,000,000 covered by the question in the richer country of England, have only 200,000,000 *l.* in the banks; while in Scotland, a poorer population of 3,300,000 have nearly 80,000,000 *l.* If it be so, I think that the English banks must fail to gather in the cash of the country in the way in which they do it in Scotland.

1463. Do you know, from your perusal of Mr. Palgrave's statistics, that the average deposit per head in England is 20 *l.*, and in Scotland, 24 *l.*?—I do not remember that fact.

1464. May not the amount of these deposits, comparing England and Scotland, be very much affected by the facility of obtaining investments in other ways, such as building societies and other things?—I dare say it may be so; but we have attractions of that kind in Scotland also.

1465. A great deal of money goes in both countries, does it not, in the way of small investments in building societies and other friendly societies?—Yes; of late years it has become very common in Scotland to establish building societies.

1466. You know that they have long been in operation in England, I suppose?—I am not aware of the fact.

1467. Do you know that they have drawn large sums from the small depositors in England?—Very probably.

1468. Taking into consideration the distinctions between the two countries, and the difference of system, do you not in your private opinion, think that the Scotch system is better for Scotland, and the English system for England?—I have expressed no opinion about England; for I am not prepared to speak to it; but so far as Scotland is concerned, I think that the banks thoroughly fulfil their proper function in the community, of gathering in and using the deposit money.

1469. And you think that they would do wisely not to attempt to extend their operations too far in other countries?—That is a matter of opinion.

Mr. *Sampson Lloyd*.

1470. I am not sure whether it was Mr. Davidson or Mr. Gairdner whom I understood to state that it was necessary for the Scotch banks to keep their reserves in London, meaning by the reserves, the available resources payable at short notice?—I did so.

1471. That was used, was it not, as a reason why the Scotch banks should be allowed to have an establishment in London if they think fit?—I founded no argument upon it; I merely stated the fact.

1472. Does not the same principle apply to all other banks; for instance, must not the English joint stock banks have their reserves available in London as much the Scotch banks?—I must refer you to the English banks as to their system.

Mr. *Sampson Lloyd*—continued.

1473. You have not any reason to doubt, I presume, that the same principle would apply to the English banks?—I have no reason to doubt that English banks keep large funds in London, just as we do.

1474. Are you, in fact, aware that the English joint stock banks have, as yet, with the exception of the National Provincial Bank of England, the London and County Bank; and, I think, one other, done without having an office of their own in London?—It is so. I believe that some of them have agencies, but I think that those two banks carry on London business.

1475. Could not Scottish engagements in London be met by means of a London agency as easily as the engagements of English country banks are met by a London agency?—Until within recent years that was the case; and the question raised now, and which led originally, probably, to the appointment of this Committee, is the question whether circumstances do not now require the Scotch banks to be in London. The bank that I represent has not as yet established any office in London; we still adhere to the old system.

1476. But is there, or is there not anything special in the business of Scotch banks, differing in any material degree from the business of large banks in the provinces of England, which make an exceptional legislative privilege (if it be a privilege) necessary in the case of the Scotch banks coming to London when the English country banks have managed to do without it?—All I can do is to explain, as well as I can, the nature of the business transacted by Scotch banks; but for the practice of English banks I would rather refer you to the English banks themselves.

1477. I presume that no one would doubt that it may under some circumstances be more profitable for any large bank with a large business to have its own office in London?—Clearly, some of them think so.

1478. But does not the experience of English banks in the country, with 20 or 30 branches (such, for instance, as the Manchester and Liverpool District Bank, a very large and powerful bank indeed), who have hitherto conducted their business in London by means of the agency of another bank, prove that it must be possible for any other bank in the kingdom to carry on its London business, without its necessarily having an office of its own in London?—It is a question for those banks to consider; they must each study their own business. (Mr. *Fleming*.) I would answer that question by saying that there can be no doubt of the fact. The Royal Bank of Scotland carried on its business for 150 years without an establishment of its own in London; and if Parliament had not chosen to give it power two years ago to come to London, it must have done so now.

1479. (To Mr. *Gairdner*.) I think you stated that you had reason to believe that the Scotch banks were more liberal to the public in their terms than the English banks. I wish to ask whether you derive that impression from reading, from hearsay, evidence, or from any personal experience of the charges of English banks?—I do not think that I have stated that in the precise terms in which you put it. What I stated was this;

Mr. *Sampson Lloyd*—continued.

this; that as regards the rates for lending, we adopt substantially, I believe, the English rates; I do not think that there can be very much difference between us; but we are more liberal to the Scotch public in regard to the rates of allowance made for money; and by reason of that liberality both the public and the banks have prospered in that we have attracted a very much larger proportion of money into the banks than appears to be the case in England, and of course that is to our advantage.

1480. Then may the Committee understand that, when you stated generally that the terms of the Scotch banks are more liberal to the public than those of the English banks are; that statement had reference rather to the rates of allowance on current accounts and on deposits than to the rates charged on loans and discounts?—It has reference rather to the rates of allowance for money deposited with the bank on current accounts, and to the rates of commission which we charge; and the proof seems to me to be in the fact that, as we allege, our margin of banking profit applied either to the cash deposits, or to the total liabilities of the banks, is less than that which the banks in England seem to enjoy.

1481. Then the belief which you have expressed that the Scotch banks are more liberal in their terms than the English banks, is based principally upon that result which you have last stated?—Yes.

1482. But it does not arise from any peculiar personal experience or knowledge of the practice of the English banks?—Of course one hears many observations made. I believe that in many parts of England the rates of interest allowed are very low; that they are fixed in fact.

1483. May I ask, upon the subject of allowing interest on daily balances, upon what principle that is allowed in the Scotch banks; is it on the minimum balance in hand during the month; for instance, if a man keeps 20,000 *l.* from the 1st January to the 30th January, and then draws out 19,000 *l.*, do you allow him a month's interest on 1,000 *l.* only?—We offer him the option of taking his interest either upon the daily balance calculated at the lower daily rate, or upon the minimum monthly balance calculated upon a somewhat higher rate.

1484. Can you give the Committee any idea of what the interest would be at the present moment?—At the present moment the rates allowed by the Scotch banks are 2½ per cent. (the Bank of England rate being 3½ per cent.) upon deposit receipts; and upon current accounts we offer the customer the choice, either of taking one per cent. upon the daily balance, or 1½ per cent. upon the minimum monthly balance.

1485. So that on balances on the current account, which, of course, are held at call, the rate would be either 1 per cent. or 1½ per cent. alternately, while the bank discount rate is 3½ per cent.?—Quite so.

1486. Are you aware that the large English joint stock banks, with very little exception, also allow interest on current accounts?—I believe that the practice has become general in London; but I rather think that it is not so in the provinces.

1487. You state that the commission is lower in Scotland; are you at all aware, from personal experience, what commission is charged in the English banks?—I speak from a general impression founded upon commissions charged to ourselves by English country banks.

Mr. *Sampson Lloyd*—continued.

1488. May not the commission charged to yourselves, have reference to the amount of business done?—If you are collecting an account with an English bank, for instance, it may not return more, say, than 20,000 *l.* or 30,000 *l.* a-year, whereas if you turn 500,000 *l.* a-year, the charge of the English bank would be very much lower?—I should think that the amount of business done by any of the leading Scotch banks in any of the larger towns in England must be sufficiently important to secure them the most favourable terms as regards commission.

1489. May I ask about how much, speaking generally, you charge an English bank for collecting cheques in Scotland?—There is generally a special mutual arrangement, I think, made between the two individual banks.

1490. Would the charge often exceed 2 *s.* 6 *d.* per cent.?—I am not very familiar with the details of it. (Mr. *Fleming.*) I have not looked at it with reference to this inquiry, or recently, but my recollection of the existing arrangements between the Royal Bank and several of its English provincial correspondents, is this: that the commission charged on either side ranges from 6 *d.* to 2 *s.* 6 *d.* per cent., according to arrangement.

1491. (To Mr. *Gairdner.*) Mr. Fleming, as I understand, states from his experience, the charge made by English banks to Scotch banks in some instances is 1 *s.* 6 *d.* upon 100 *l.*; would you consider that that, if it be so, corroborates or strengthens your belief that the English banks make exceptionally high charges to the Scotch banks?—I can only speak to a general impression about the charges to English country banks.

1492. So that, in point of fact, your belief that the English banks make higher charges to their customers than the Scotch banks, rests not on individual instances within your own knowledge, but on the general result brought out by the papers which you have put in?—To some extent it rests upon statements which have been made to me, but the precise details of which I am not prepared to repeat.

1493. Should you be surprised to be told that English accounts are often charged below 2 *s.* 6 *d.* per cent. upon all returns, including all charges of every kind?—I should think that would come to a much larger sum than any commissions which we are accustomed to charge.

1494. But you charge upon separate items?—Yes, but those are very trifling in amount.

1495. (To Mr. *Fleming.*) I suppose you are aware that in many cases no charge at all is made by the English banks, but that a very small balance indeed, particularly in the case of London banks, is held to free the account from charge?—That is so between English banks and Scotch banks, but all that is a matter of mutual arrangement made in each particular case. We have for example a different rate of charge altogether with the Bank of England on either side.

1496. (To Mr. *Gairdner.*) One of the interesting and valuable papers which you have put in, appears to show a considerable difference between the profits of the English banks and of the Scotch banks calculated in reference to their total obligations to the public?—I think it does.

1497. Would not the difference in profit per cent. on the liability to the public be greatly affected by the expense of carrying on the business.

Mr. *Gairdner*, and Mr. *Fleming*.

13 May 1875.

Mr. *Gairdner*, and Mr. *Fleming*.

13 May 1875.

Mr. *Sampson Lloyd*—continued.

business. For instance, supposing that two banks have an equal amount of liability to the public, 5,000,000 *l.* or any other sum, and that one bank has only its head office, and that the other has 50 branches scattered all over the country; would not the expense of carrying on the business in the latter case be so great as to affect the per-centage shown by your table, without necessarily involving higher charges to the public?—I have admitted from the first that the question of expense ought to enter into the calculation, but I have not the materials. I have told you what I believe to be the fair average expense of the Scotch banks, and there I must leave it.

1498. But you do not admit, as I understand, that the expense of a bank with a great many branches, which is the case with the Scotch banks, necessarily affects that table very much, and reduces the apparent profit in proportion to their liabilities to the public, although it may not reduce their charges, and the liberality of their allowances to the public?—To put it in this way: if the English country banks, whose balance sheets I have analysed, conduct their establishments at a lower scale of expense by one-half per cent. on their deposits than we do, that would, to a very large extent, remove the difference brought out in my table.

1499. I think one of the gentlemen who have given evidence (I am not sure whether it was yourself or not) expressed a doubt whether the business could be conducted profitably at the small branches, if the privilege of issuing 1 *l.* notes, and the other privilege of issuing against coin in the till, were taken away?—Yes.

1500. Does not that enable the Scotch banks to establish branches all over the country, and thereby to gather deposits to an extent which the English banks cannot, under the present system, do?—Certainly, I think it does.

1501. What do you suppose would be the expense of a branch with a managing man and one clerk, we will say, and an office boy, which is a type of a small branch in the country not being a mere agency, could such a branch be conducted at less than 400 *l.* a year?—I think it could, in many cases.

1502. With rent, the manager's salary, clerk's salary, and stationery, and other expenses?—Yes; but it is a very common practice in Scotland for the banker in a small branch like that to be a man of some position in the town, such as a solicitor, perhaps, or in some other occupation, who has other business to attend to, and who is willing to act as agent for the bank at a very small expense until the business of the branch increases.

1503. You may or may not be aware that that is to some extent the case with small English branches; but those I should term agencies. At what would you put the minimum expense of a branch with a managing clerk and an office boy?—In some cases the expense is very low; I should think about 250 *l.* may be taken.

1504. Allusion has been made to the cash credit system as being something giving special advantages to the public in Scotland; is not the cash credit system simply a borrower borrowing money of the bank on the guarantee of two or more sureties?—Or against securities of a different kind deposited with the bank.

1505. Is it not the practice of well-conducted English banks to lend to suitable persons on guarantees and on security?—I am not aware that they make the account operative; they make a loan against the securities, but so far as my knowledge goes it is not the general practice in England to allow an operative account of that description.

Mr. *Sampson Lloyd*—continued.

1506. An operative account would mean a standing over draft?—An over draft or a credit balance. You would make the advance in a separate account, and keep the operative account creditor, as I understand.

1507. Reverting for a moment to the privilege of issuing 1 *l.* notes, which you think so valuable, and issuing against till money, could the system of small branches, which you think some reason to be of such great advantage to Scotland, be applied in London or England, no English bank being permitted by law, either to issue small notes or to issue against its till money?—It is a speculative question as put to me, because I have not studied the subject; but that the 1 *l.* notes are of great value in establishing branches there is no doubt, and the right of issue generally is of great value.

1508. In short, you think that, even supposing that the system could be applied in London or in England, it would be so applied by the English banks under very great disadvantages, without the right of issuing small notes, and without the right of issuing against their till money?—I think so.

1509. I think you made a remark as to the want of liberality of the English banks in making a charge for paying over in London; is it not the fact that the English banks make no charge to one another, or to Scotch, or Irish or any other banks whatever provided the cheques which they are asked to pay over come through the generally authorised, and used channel of the clearing house?—No doubt, but that involves a loss of several days' interest which is tantamount to a charge in another form.

1510. With the present quick postage is it not nearer two days than seven?—It depends upon the distance of the place.

1511. For instance if you had on Monday paid into your bank at Edinburgh a cheque drawn on Birmingham, could you not send it up to your agent that night; would it not then be received by him on Tuesday morning, cleared that afternoon, and on Thursday morning would you not have received assurance of its payment?—The practice in Scotland is, as I think I have explained, that we consider that due negotiation of the cheque requires that it should be forwarded to the place upon which it is drawn, and unless we are instructed to pass the cheque through the London Clearing House, we do not do so. In the one case there is a commission, and in the other case there is a loss of interest.

1512. As regards the three days which we may assume would be taken in this transaction, is it not your practice in crediting a customer with a cheque to credit him so much worse than cash? If I have a cheque for 1,000 *l.* placed to my credit in the account, do you not often take three days or some such time to deal with it, so that the three days is really a loss to the bank?—It is a loss to the bank.

1513. But the Scotch banks are charged a commission in the case referred to, because they ask the English bank to do what is somewhat exceptional in the practice of the English banks, namely,

Mr. *Sampson Lloyd*—continued.

namely, to pay over specially instead of paying through the usual channel?—I am not aware of its being a special arrangement at all. I find that Mr. Fleming and I agree as regards that.

1514. At all events you would serve the English banks exactly the same, would you not?—We should charge them a commission.

1515. Therefore the English banks and the Scotch banks are alike in that respect?—Our charge for making available in London is 1 *s.* per cent.

Mr. *Hussey Vivian.*

1516. Under the Bank Act of 1845, you have the power of issuing any amount of notes if you have gold in your till against them, have you not?—Yes; we are allowed to issue to any extent that the public require; but, to whatever extent we exceed our authorised amount, we must hold gold in terms of the provisions of the Act of 1845.

1517. But still that gold does not represent the over issue of notes?—It must, in amount, be equal on the average of four weeks to the over issue of notes.

1518. But it does not actually represent those notes?—It is not hypothecated to the notes.

1519. It forms only a portion of your general assets?—It does so.

1520. So that if you have an over issue of 3,800,000 *l.*, and gold to the extent of 4,000,000 *l.*, the, 3,800,000 *l.* of notes, being a portion of liability to the amount of 91,000,000 *l.*, would only rank as a fractional part of that 91,000,000 *l.* in its claim upon the gold?—Clearly so.

1521. So that, in truth, the over issue of notes is in no way represented by gold?—It is in no way secured.

1522. Is it, or is it not represented by gold?—I do not quite catch the sense in which you put the word "represented." There is the note on the one side and the gold is in the bank, but the gold is not hypothecated or earmarked (as Mr. Goschen put it) to the note.

1523. The notes are only entitled to, we will say, 4-91 parts of the gold?—Yes.

1524. Your total liabilities being 91,000,000 *l.*, and your over issue being 4,000,000 *l*, your notes are only entitled to the fraction of 4-91 parts of the gold?—Yes.

1525. So that, in truth, the over issue of notes is in no way represented by gold except to that small extent?—Quite so.

1526. Do you believe that that was the intention of the Act of 1845?—I do; I have not the slightest doubt of it.

1527. Then, what is the great benefit to the country of the limitation that a certain amount of gold should be behind each note?—That raises the question of the principle of the Acts of 1844 and 1845. The idea of securing the notes was never under consideration at the time those Acts were passed. That is quite a different principle, as I understand it, from the principle of those Acts. What we are required to do by the Act of 1845, is to hold at our head office an amount of gold equal to the amount whereby our issue exceeds a certain certificated amount; the amount to be ascertained upon the aggregate returns of four Saturdays.

1528. But with what object?—I am hardly able to explain the object. That is a question which must be referred to Sir Robert Peel, as to what idea was in his mind at the time it was done. The practical effect of it has been that the banks now retain an amount of gold which, but for the Act, they were under no obligation to retain. They have in Scotland 4,000,000 *l.* of gold, because the active circulation exceeds the authorised circulation by about that sum.

Mr. *Hussey Vivian*—continued.

1529. But that gold becomes no security for the payment of the notes?—Not in the least.

1530. With a total liability of 91,000,000 *l.* beyond capital; what do you think ought to be the amount of gold which a prudent banker would retain?—We think we keep a prudent amount at the present time.

1531. But it appears to me that you keep no more than you are bound by law to keep in view of your notes?—The notes have no better claim upon the gold than the deposit receipts have.

1532. Would you keep as much gold if you had no note circulation at all?—I can hardly say that I have considered the question; but we should certainly keep a very large amount, I think. We should probaby keep about the same amount of gold as we do now.

1533. Then, in that view, your over issue of notes is an absolute profit to you to the full amount, is it not?—It is possible to put it so, no doubt.

1534. It is a logical inference, clearly?—Yes.

1535. In answer to Question 1075, Mr. Davidson stated: From that we deduct 1¼ per cent. on the present circulation of the Scotch banks, amounting to 73,277 *l.*, bringing out the net annual direct loss to the Scotch banks at 159,448 *l.*" In that answer that 159,448 *l.* is put as a loss from supposing the present system to be repealed. Taking it the other way, would not that 159,448 *l.* represent the gain by the present system?—No doubt that is the converse statement.

1536. Then your gain by the present system is that sum of 159,448 *l.* per annum?—That is as compared with what would be the result under a Government issue.

1537. Then to that you must add, must you not, the interest on the 4,000,000 *l.* of notes which you now issue, according to the statement which you have just made?—No, I think not.

1538. You have just stated that you would be compelled, if you gave up your over-issue, to retain the same amount of gold that you now retain; therefore your over-issue is a clear profit, and the present system must be credited, *quoad* the Scotch banks with the profit upon the 4,000,000 *l.* of over-issue, must it not?—I should require to consider that—I am not quite clear about it. As I understand, you calculate our profit under the present system as distinguished from a system of Government issue in the first place at 159,000 *l.*

1539. It is your own calculation?—You put it to me in that way; and then you propose to add to that the interest.

1540. Yes; it was not admitted on the previous examination that the 4,000,000 *l.* was of any money value to you?—I should like to look into it before answering the question.

1541. I think you will see that the 159,448 *l.* does not arise from any portion of the 4,000,000 *l.*?—Perhaps it is so; but I should like to see the statement upon which this is founded before positively

Mr. *Gairdner*, and Mr. *Fleming*

13 May 1875.

Mr. *Gairdner*, and Mr. *Fleming*.

13 May 1875.

Mr. *Hussey Vivian*—continued.

tively answering the question. I am not sure that I understand where you got the 4,000,000*l*. from.

1542. The 4,000,000 *l*. is your over-issue?—Our over-issue is only 3,000,000 *l*. Our active issue is 6,000,000 *l*.

1543. Your own issue is 3,800,000 *l*., and your active issue is returned at 6,534,000 *l*., is it not?—That is taken from the balance sheets of the banks, but I think that our active circulation last year was as nearly as possible 6,000,000 *l*., of which 2,750,000 *l*. is authorised, leaving about 3,250,000 *l*. of excess.

1544. I am willing to take it upon that, but I am simply basing my calculation upon your own return, and of course if that is not a correct return it can be corrected in any way; it is a question of principle in account?—I am afraid that I should require to see the statement upon which your calculation is founded before I could answer the question.

1545. You have a clearing house, I think, in Scotland?—We have.

1546. Then in reality the whole of the transactions of the country do not turn upon the payment of liabilities in gold, but one liability is set off against another, as it is in this country?—Quite so.

1547. I suppose there is no doubt that when a man contracts a debt of 1 *l*. he agrees to pay a certain weight in gold for it, does he not?—No doubt he does, and the creditor is entitled to demand gold.

1548. Supposing that the creditors throughout Scotland and throughout England were to insist upon their undoubted right to receive payment in gold, would it be possible to carry on business for a single day?—Certainly not.

1549. You consider that one of the advantages of Scotch banking is the draining of the country of its savings, do you not?—The collecting or gathering in of the smaller sums which otherwise would be hoarded.

1550. But is it not an assumption that they would otherwise be hoarded?—I think that they would be put away in corners; they must either be dealt with in that manner or they must be taken to the banks.

1551. Do you imagine that that is so in England?—I fancy it is so to a very large extent; if the deposits come out at only 200,000,000 *l*. I think there must be a very large sum not brought to the banks.

1552. But is it not possible, with all due admiration and deference for banking, that there may be other modes of investing money which may be more profitable than the 2½ per cent. which is paid by the banks?—If the money is invested, of course it is not available for the banks, but, if it be in the country, it must be either in a bank or out of it, and if it is out of the banks and not in circulation, I say that it is hoarded.

1553. My honourable friend, the Member for Darlington, put some questions to you with reference to building clubs; that is a mode of saving money, is it not, which is largely adopted in England?—I believe it is.

1554. There can be no more easy and ready mode, can there, of getting in small savings, than a building club, to which a man, week by week, pays a certain small sum?—It is one way, no doubt, of gathering savings.

Mr. *Hussey Vivian*—continued.

1555. Are you aware that building clubs are carried on to a very large extent indeed, in most of the districts in England?—I believe they are.

1556. Do you know what interest men receive from building clubs?—I cannot speak to it.

1557. Are you aware that the interest is commonly 6 per cent?—I am not.

1558. That is more than double, at any rate, what they would receive from banks, is it not?—Yes; but the money is beyond reach.

1559. The money is beyond reach, and perhaps it is a very good thing that it should be beyond reach; it is quite open to that view, is it not?—I think that the Scotch prefer it the other way, to have it within reach.

1560. But still when one man can obtain 5 per cent, and another man only gets 2½ per cent., you can hardly accuse the man who receives the 5 per cent. of want of thrift, can you?—No.

1561. Then supposing that small savings are largely invested in England in the way that I have intimated, surely Englishmen may claim to have some share of thrift?—I do not doubt that at all; there are building societies of course in Scotland also.

1562. In regard also to the class of small tradesmen, as you rise higher in the scale, I believe that there are a very large number of local investments, are there not?—There are in both countries; but still there must be a very large sum of money floating that should find its way to the banks. I can only adopt Mr. Palgrave's figures and reason from them, and also from our experience; but I quite admit that it is a very rough way of arriving at the result.

1563. Great stress has been laid upon the advantage of the Scotch banking system, in respect to its draining the country of its small deposits; I for one doubt the advantage, and I doubt the fact; therefore the questions which I am putting to you are put in that sense. As I said before, going up in the scale from the workmen to the small tradesmen, and still higher, there are in this country a very large amount of local investments for money; is that the case in Scotland?—To a very large extent, it is; but in the remote country parts I should say that the facilities for such investments do not exist in England any more than in Scotland.

1564. But surely there are central towns which are all borrowing money under the Health of Towns Act, and which have been doing so for a considerable number of years, are there not?—There are; but I question if these investments reach down to the classes that we have been pointing at.

1565. I am now talking of the middle and lower-upper classes, if I may so define them; are not their savings largely invested in that way?—They are, to a very considerable extent, no doubt.

1566. What interest do such investments commonly pay?—Under the Health of Towns Act, any large town borrowing can generally borrow I think, at about 4 per cent.

1567. Would it be too high to say from 4 to 5 per cent.?—About 4 per cent.

1568. (To Mr. *Fleming*.) I think that in this country they can generally borrow at from 4 to 5 per cent. for harbours and local improvements of various kinds; that class of the population invests I believe very largely?—I have reason to know

Mr. *Hussey Vivian*—continued.

know from my own experience as a director of one of the large insurance companies in Scotland which lends on that class of security, that the rate is higher on that class of investments in England than it is in Scotland; they would borrow at 4 per cent. in Scotland, and at 4½ per cent. in England.

1569. (To Mr. *Gairdner.*) Then it does not follow, does it, that there is a want of thrift on the part of the people of England, if they invest in such securities at 4 or 5 per cent. rather than in banks at 2½ per cent.?—The two things are very different; I think that having the money at call makes up for the difference in the rate. In Scotland they like a high rate of interest, as well as in England, and yet they are satisfied to put their monies in the banks.

1570. But there may not be in Scotland those good means of investment that we have in this country?—I think that through all the more enterprising portion of the country there are equal facilities for investment.

1571. Then it is possible that they may have got into that system in Scotland of investing in banks, instead of in local investments?—I can only say as my general opinion, that I shall be very much surprised to find that the deposits in England are not greatly in excess of 200,000,000 *l.*

1572. The bulk of your deposits may be stated to be used in discounts, I think?—Yes.

1573. You have 78,000,000 *l.* of discounts, and 74,000,000 *l.* of deposits, have you not?—It is 78,000,000 *l.*, I think, of banking advances, but not of discounts necessarily. There is a misprint; it should be "bills discounted and other advances," instead of "other allowances."

1574. Are not these deposits mostly at call?—They are entirely at call.

1575. Then you may be called upon for them at any moment?—No doubt.

1576. And the discounts of Scotland may be said to repose, therefore, mainly upon the deposits in the Scotch banks?—No doubt.

1577. Those deposits being withdrawable at call?—No doubt they may be withdrawn.

1578. In time of panic the pressure of the public comes immediately and directly upon the discount market, does it not?—Most probably so; I should say that it would involve a diminution of discounts.

1579. The moment money becomes tight you think it necessary, to a certain extent, to make yourselves safe, to hold large balances, do you not?—Not exactly so. The mere tightness in the money market is a thing which belongs to the ordinary fluctuations of trade, and you do not necessarily diminish your discounts because rates are higher.

1580. But still, when you see the money market tightening you begin to think it necessary, do you not, to restrict your loans?—No, I should say not.

1581. When any want of confidence exists depositors may be led to be so foolish, perhaps, as at once to require the repayment of their deposits, or a large proportion of them?—No doubt.

1582. Then that comes immediately upon the trade of Scotland through the discount market, does it not?—Or upon the reserves of the banks.

1583. But the reserves are comparatively very small, are they not?—We do not think so. Our reserves amount to something like one-third of our liabilities.

Mr. *Hussey Vivian*—continued.

1584. Your reserves amount to 25,000,000 *l.*, excluding India Government and other stock and investments (of course I do not know at all what that means); that is to say, that you have 25,000,000 *l.* as against a total liability of 105,000,000 *l.*; is not that so?—The 105,000,000 *l.*, I think, includes liabilities to partners which are not liable to be withdrawn.

1585. Excepting that, you have 25,000,000 *l.* against 91,000,000 *l.*, the 91,000,000 *l.* being your net liabilities beyond your capital?—Quite so.

1586. The withdrawal of the deposit comes directly on the discount trade of Scotland, does it not?—No, it would come first upon these reserves.

1587. It comes first upon the reserves, and then afterwards it comes upon the trade of Scotland?—Yes, if the reserves were exhausted you would fall back, no doubt, upon diminished trade.

1588. That is to say, speaking roughly, that the 25,000,000 *l.* would be met by your reserves, and there would be a balance of 65,000,000 *l.*?—No doubt.

1589. Is it in your opinion a desirable thing that that money upon which the trade of a country reposes should be liable to be withdrawn from the trade at any moment?—I think it is so; I think that that is the normal condition of a banking system.

1590. It is the normal condition of the banking system in your country, but is it in your opinion a desirable thing?—In every country in which there are banks, I take it that that is the best position in which a bank can be; I do not know any more secure mode of using their funds.

1591. I quite admit that it is a secure mode of using their funds, but is it a desirable mode of using the funds for the trade the country?—We think so.

1592. Have the public of Scotland, practically, suffered any hardship by the money being at call?—I think not.

1593. Can you state to what extent the banks of Scotland have been obliged to fall upon their reserves in any commercial crisis?—I am not a very old banker, and I cannot speak from personal knowledge as to that.

Mr. *Orr Ewing.*

1594. Is it not the fact that the whole of this large sum, upon which, practically, to a great extent the trade of your country reposes, is liable to be withdrawn from you, over the counter, at any moment?—It is so.

Mr. *Hussey Vivian.*

1595. Is that, in your view, a safe state of things?—We think so, and we point to the experience of many generations in proof of it.

1596. Money used in discounting is turned over from two and a half to three times every year, I suppose?—I should think so, on an average.

1597. So that 70,000,000 *l.* used in discounting, represent yearly transactions of something like 200,000,000 *l.*, does it not?—Yes.

1598. And that is all, in point of fact, liable to be stopped at any moment, because that capital is at call; that is to say, is liable to be called for over the counter?—Yes.

Mr. *Gairdner*, and Mr. *Fleming.*

13 May 1875.

Mr. *Gairdner*, and Mr. *Fleming*.

13 May 1875.

Chairman.

1599. I think that in the statement which you originally put in, which came from the banks of Scotland, reference was made to the legislation of 1845 as not having been according to the wishes of the people of Scotland; is it your feeling and the feeling of those whom you represent that that legislation was injurious?—I think I may say that we are authorised on the part of the Scotch banks to state that we think that on the whole it has been beneficial.

1600. What were the apprehensions which were originally entertained with respect to it?—Up to that time a system of complete freedom had prevailed, and the country had thriven under it, and everyone seemed to be satisfied with it; and I think that the feeling was one of doubt and hesitation as to whether any change was likely to be for the better.

1601. But those apprehensions which were then entertained have not, in your judgment, been justified?—I think not.

1602. You do not now desire to have those restrictions removed?—No, we do not ask to have them removed. We have stated in the minute which Mr. Davidson read, that there were some matters of detail that we thought might be altered advantageously.

1603. You would not desire to see, for instance, a restoration of a system under which any bank might establish itself in Scotland with a right to issue to an unlimited extent?—I think I may say, as representing the banks, that they do not wish to see it thrown open; but at the same time for for my own part, as I said on Monday, I should personally have no great apprehension in the matter, supposing that it were thrown open.

1604. By "apprehension" do you mean that you think that no new banks would be really established?—I think that if they were they would not last very long.

1605. But so far as the public are concerned, do you think that it would be an advantage to the Scotch public, that there should be greater facilities given for the establishment of new banks with a right of issue?—Of course I can hardly expect my opinion to carry any weight with it for I hold the position of a person who is supposed to be prejudiced; but I do not myself see in what way the public would be benefited.

1606. Do you think that it would be any advantage either to the banks or to the public if greater freedom were given to the existing banks as to the amount of their issue?—There has been no complaint made, and nothing has been said on that subject, I do not see that there is any disposition to move in it.

1607. Do you consider that it would be a desirable thing or an undesirable thing that the Scottish system of issue should be made general throughout the United Kingdom, and that all banks established as banks of issue should be allowed to issue notes of any size down to 1 *l.*, and to issue upon coin over and above their authorised issue?—In so far as the principle is concerned I should say that it would be a great advantage that that should be put in operation in other parts of the kingdom, but any changes of course involve dangers. If there were weak banks, the fact would come to be known, and various disturbances might take place, but I cannot imagine that if the principle is good for Scotland it can be otherwise than good for England.

1608. Then you would also say that the same

Chairman—continued.

principle would apply to English banks desiring to have establishments in London, and that they should be allowed to do so without sacrificing their right of issue?—I think so.

1609. Supposing that the reverse process were adopted, and that the restriction which is imposed upon English banks of issue against coming to London without surrendering their issue, were strictly applied to the Scotch banks, do you think that many of the Scotch banks would sacrifice their right of issue in order to come to London?—I am not in the position of having an office in London, and I cannot speak to that point; I have no opinion in fact upon the subject. I think I must refer you to Mr. Fleming, who is in the position of having an office in London.

1610. Would it not be an advantage to your bank to have an office in London?—It is a question that we have had under consideration, but we have not come to any conclusion upon it.

1611. Supposing that you had to surrender nothing at all on coming to London, would you still think that it would be a doubtful question whether or not it was advantageous to come?—We believe that we can come by simply opening an office; we believe that there is no legal disability to our coming if we pleased; but notwithstanding that fact we have not yet formed the resolution to come.

1612. Supposing that the principle which prevails in England upon that point were established with reference to the Scotch banks, and that one or two of them thought it worth while to sacrifice their rights of issue, and to come to London, what would be the effect upon the banking system of Scotland?—The effect would be, in the first place, that the other banks of issue would require greatly to increase the amount of their issue of notes, so as to fill up the void created by the withdrawal of the issues of the banks who surrendered their issues. That under our present system would involve a very large increase in the amount of gold held at our head office in Scotland, and of course for that gold we should come to London, and require to withdraw it from the Bank of England. It would also be a very considerable disadvantage to those banks whose issues were so increased, for we should have to pay stamp duty upon the increased amount of our issue, and as we should have it all covered with gold, we should of course have no compensation as against that.

1613. You consider, I think, that the issue upon gold is not any direct gain to you?—It is a loss to us in so far as there is no direct profit from it, but, on the contrary, a charge upon it.

1614. But you think that the indirect gain is sufficient to more than make up for that direct loss?—We think so.

1615. Would the indirect gain be greatly increased by the abandonment of the right of issue by say two or three of the existing banks?—That could only arise if the loss of the right on their part to issue notes in Scotland injured their business, and threw some portion of their business into the hands of the other banks. So far the issuing banks might gain an advantage; but as we consider that the banking facilities of the country are complete at this moment, it would simply be by the transference of the business from the one set of banks to the other set, that we could gain any advantage by it.

1616. Supposing that we could imagine a

Scotch

Chairman—continued.

Scotch bank not itself desiring to come to London, and taking a purely selfish view, would it or would it not be considered by that bank for for its interest that the other banks should be put under the same restrictions as the English banks of issue are under, with regard to coming to London? —I do not myself see that we should have any interest in having such a restriction imposed upon them. In the first place the only advantage which we should have is what I have tried to explain; that is to say, that the want of the right to issue notes might lead to the injury to some extent of their local business in Scotland, and in that way the business might be transferred to the banks that continue to issue notes; but I doubt if it would act very materially upon our interests.

1617. Supposing that the Union Bank on the whole thinks it better not to come to London, but that the Bank of Scotland thinks it better to come, would the Union Bank consider that the Bank of Scotland had gained a point by coming to London, though it did not think it worth while to come itself?—That is one of the points which we are now obliged to consider. The coming to London of three of the banks has of course been an important change in the conduct of the business in Scotland, and it may be a necessity for the other banks to open offices in London, because those banks have come here. Even, although upon the merits of the case we might not be anxious to have a London office, it may be a necessity, in order to protect our Scotch business.

1618. Looking at the matter from a selfish point of view, would it not be an advantage to those banks which do not desire to come to London, that an impediment should be thrown in the way of their rivals by requiring them, if they come to London, to sacrifice their right of issue? —I have never looked at it in that light; on the contrary, I think that if one, or two, or three banks are allowed to come to London, we should all wish to be placed upon the same footing.

1619. You would not wish to keep them back, but you would wish to follow in their footsteps?—No, we should like to enjoy the same rights as they have.

1620. Then would it not come to this, that they will gradually draw you into what you would not of your own freewill have done? — We may change our minds, and see that it is for our own advantage to come to London; but this coming to London is a matter of very recent years; it is a subject that has been frequently considered; it is a very important step when it is taken, and we have abstained, up to this time, from taking it; but I should be sorry to see anything done that prevented us from taking the step upon the same terms as the other banks who have come here, if we should find it necessary to do so. There is no doubt that there is something in the explanation which has been given by some gentlemen to the Committee, that there is a greater concentration in London of transactions which have their origin in the country which may by and bye make it even more important than it is now for country banks to have offices in London.

1621. Do you, by coming to London, bring yourselves into a class of business of a different character from that which you conduct in Scotland?—I have no experience of London business, and I am not prepared to answer that question.

Chairman—continued.

1622. (To Mr. *Fleming*.) Can you answer that question?—In my experience during the last six months it has not been so; our business in London has been almost exclusively confined to the transaction of the London part of our own Scotch business.

Mr. *Anderson*.

1623. Of your customer's business?—Of our customer's business, and the management of our reserves.

Chairman.

1624. (To Mr. *Gairdner*.) What effect would be produced in Scotland by the abandonment of the authorised issues of certain banks, and the contraction therefore of the amount; what has been, for instance, the effect produced by the loss of the circulation of the Western Bank?—I think that the effect, so far the loss of the circulation of the Western Bank is concerned has been that it has thrown the duty of supplying the circulation upon the other banks.

1625. And therefore more gold is required to be maintained in Scotland?—More gold is required to be maintained in Scotland.

1626. Do you look upon that as an advantage or a disadvantage?—We think that the amount of gold is not excessive, and that there has been no disadvantage up to the present point in the amount of gold which we retain in Scotland.

1627. Then you think that the loss of the authorised circulation of the Western Bank has not done any harm to the circulation of Scotland? —No. The direct profit upon the circulation is a very small affair, and it is of course only the direct profit that the question applies to.

1628. Would it be material if you lost the whole of the authorised circulation of the banks? —It would be a very great loss to individual banks.

1629. But not to the country?—Through the banks it would be a loss to the country. In the case of the Union Bank of Scotland, with which I am connected, our authorised circulation is 454,000 *l.*; the advantage of that is very considerable to the bank, and it is a very important advantage. (Mr. *Fleming*.) I would answer the question, in case I should be committed by Mr. Gairdner's answer, in this way: that it would be a very serious loss to the banks in the first instance, and a very serious direct loss to the public. It appears to me, that adopting Sir John Lubbock's figures, putting the right of issue of the Scotch banks as equivalent to the use of 9,000,000 *l.* of capital, the immediate and necessary effect of the withdrawal of the rights of issue in Scotland would be a withdrawal from the amount now employed for purposes of trade and commerce to the extent of 9,000,000 *l.*, and that therefore the trading community would have their accommodation lessened by 9,000,000 *l.*, or something like one-sixth of the whole amount employed in Scotland in the discount of bills.

1630. If the withdrawal of the authorised issue would be injurious to the public of Scotland, would the doubling of the authorised issue be an advantage to the people of Scotland?—No; I think that it would be an advantage to the banks; it would enable the banks possibly to deal with their customers with a greater amount of liberality; I am not prepared to say, as a banker, that

Mr. *Gairdner*, and Mr. *Fleming*.

13 May 1875.

Chairman—continued.

that that would be the immediate result; I think that it would be an advantage to the banks to double their authorised issue, and that it would have very little effect upon the public.

1631. But I rather understand your line of argument to be, that the public were those who really got all the advantage that came to the banks?—My point was this: that if you withdraw 9,000,000 *l.* from the available banking resources of Scotland, in order to provide more till-money for carrying on the business of the various banks, you, to that extent, diminish the power of the banks to give accommodation to the trading interests of the country.

1632. How would 9,000,000 *l.* be withdrawn if the authorised issue was somewhere about 3,000,000 *l.*?—I have already said that I was taking Sir John Lubbock's figures upon that point; I know that another calculation is before you, but I have not thoroughly examined that; it is 7,000,000 *l.* according to Mr. Davidson's calculation; my impression is that it is understated, and that Sir John Lubbock is nearer what the result would be of a suppression of the Scotch issues when he says that it would require from 8,000,000 *l.* to 9,000,000 *l.* to fulfil the functions which are now fulfilled by our right to issue notes.

Mr. *Goschen*.

1633. Is there not this difference that Sir John Lubbock's calculation is based on taking away the Scotch issues altogether, while Mr. Chancellor of the Exchequer's questions were directed to the suppression of the authorised issue?—I certainly was dealing with the question upon the footing that the issues of Scotland were entirely suppressed.

Chairman.

1634. Then you misunderstood me; my questions all pointed to allowing the system of issuing notes against gold to continue, as it does at present; what would be the effect either of abolishing, on the one hand, or of doubling, on the other, the amount which they are authorised to issue without gold?—I should answer the question in this way: our actual issues at the present moment amount in round figures to 6,000,000 *l.*; we hold gold to the extent of 4,000,000 *l.*; the condition which you suppose implies that we must immediately draw upon the Bank of England for the difference between the gold which we hold and the gold which we should require to hold, namely, 2,000,000 *l.*, and probably that would be increased in actual working, so that the immediate result to the Bank of England, in the first place, would be that its reserve would be diminished to the extent of 2,000,000 *l.*; to the banks in Scotland that their banking resources would be diminished to a similar extent; and to the public that they would be deprived of the use of the 2,000,000 *l.*, which they have for trading purposes at present.

1635. That, in your opinion, would be the result of abolishing the authorised issues; what, on the other hand, would be the effect of doubling the authorised issue?—I think that it would increase the profits of the banks.

1636. Would there be more gold or less gold in the country?—I am not prepared to say that there would be less, because as I have already stated I think it is fortunate for Scotland that we have such an amount of gold as 4,000,000 *l.* lying to meet any possible contingencies. No doubt it lies locked up in a vault, and is untouched from the beginning to the end of the year; but notwithstanding that I am not prepared to say that it would be wise to interfere in any shape or form with the existing regulations which have led gradually to the accumulation a store of coin increased from about 400,000 *l.* in 1844 to 4,000,000 *l.* now. That has been effected with no pressure upon the Bank of England, because the increase has been very gradual, and I think it is for the advantage of Scotland and for the stability of the Scotch banks that it should be so. The only alteration that I would suggest would be the avoidance of what must be felt in the London money market, viz., the half-yearly withdrawals of gold by the Scotch banks to meet the legal requirements of the Act of 1845. As an instance of that, last Saturday the bank with which I am connected took down 100,000 *l.* in gold which will lie in the bank for a month, and will be returned in a month hence. That is simply to meet the legal requirements of the Act; it does not in any way strengthen our position, nor does it add to the public confidence. We do not complain of it, and we should not have come to Parliament to ask for that question to be reconsidered, but if it is to be reconsidered we think it a fair point to submit.

1637. Bearing in mind that the object of this Committee is to inquire generally into the restrictions imposed upon and the privileges granted to banks of issue, would you mention that as a point which you think worthy of consideration?—I would mention that as a point worthy of consideratiou. The other objection to the present system of issue in Scotland is that it is not based upon any intelligible principle; it is not based upon capital; it is not based upon bullion held; and it is not based upon either liabilities or resources. If the subject is to be reconsidered by this Committee, then I think it is well worthy of consideration whether some intelligible principle should not be devised, as, for example, that gold should be held to a defined proportion of the issues of the Scotch banks; I think that that would be intelligible.

1638. When you say that gold should be held to a defined proportion of the whole of the issues, do you mean that you would do away with the distinction between authorised issue and issue against gold?—Yes.

1639. (To Mr. *Gairdner*.) Would there be any possible inconvenience in treating the whole issue of the 11 banks of Scotland as one issue?—It would tell differently against different banks. In the case of the Royal Bank of Scotland, they have a very small authorised circulation, and therefore they require to keep a larger proportion of gold to the issue. In the case of the Union Bank we have a very large authorised issue, which has been acquired to a large extent through the buying up of various banks, and for which we paid a substantial price. Mr. Fleming's principle is very well; but we should certainly regard it as a grievance if we were put to a disadvantage after having acquired this right which we have exercised until now. We have 454,000 *l.* of authorised circulation, while our actual circulation averages, I think, about 700,000 *l.* or 750,000 *l.*

1640. Supposing that such a principle as this were laid down; that is to say, the total amount of circulation to be authorised on the part of the whole

Chairman—continued.

whole of the 11 banks should bear a certain proportion to the whole amount of gold held between those 11 banks, would it be possible for the 11 banks to make arrangements between themselves for the appointment of the circulation?—I should imagine so. It would come to be a question of compensation as between one bank and another. (Mr. *Fleming*.) I think that would introduce a very serious element of difficulty. I think that the difficulty is illustrated in looking at the growth of the circulation of individual banks. As Mr. Gairdner has quite correctly pointed out, the authorised circulation of the Royal Bank is very low. That arises from the fact that in the year 1844, when the amount was fixed by its average circulation of 12 months previously, the Royal Bank had scarcely any branches, and its actual circulation was under 200,000 *l*. It was authorised to circulate that amount, which was subsequently increased by the purchase of another bank, and now its actual circulation has gone up to about 700,000 *l*. through the establishment of branches throughout the country. If the banks were left to adjust their interest amongst themselves, without any definite principle being laid down, that would throw a bone of contention among them which it would be most undesirable to have in reference to such a matter as the issue of bank notes.

Mr. *Anderson*.

1641. I think that the City of Glasgow bank is a still more marked instance?—The City of Glasgow bank have an authorised issue of 73,000 *l*., with an actual circulation of something like 700,000 *l*.

Mr. *Goschen*.

1642. (To Mr. *Gairdner*.) With regard to the paper which you have put in, you base your calculation of what you call the margin of profit upon this, do you not, that it is fair to calculate the net business profits as against the deposits?—As one form of test.

1643. But would it be fair to take this paper, and to assume from it without qualification that these calculations prove the estimated loss of so much to the Scotch banks?—Subject to the qualifications which I have all along stated, I think that it is right, but these qualifications must be taken into account.

1644. But the qualifications are not stated in any way upon this paper?—Perhaps not; No 5 table further carries that on.

1645. But naturally your qualifications have not been able to be stated upon this paper?—No, the qualifications are chiefly in reference to the expense of management, and the question of bad debts, which have once or twice been referred to, and they are not dealt with in this paper.

1646. So that if anyone had that paper before him without knowing the rest of the evidence, it would be somewhat misleading, would it not?—It would not mislead anyone, I think, who was accustomed to the subject. I did not invent the principle; I found it in a well-known newspaper which deals with this subject, and I simply applied to the English provincial banks what had been for years applied to other banks.

1647. Do you hold that all deposits are equally valuable; would you consider deposits from a number of small people scattered over a large area more or less valuable than large deposits from individuals?—As a general principle, I should say that the small deposits are the steadiest, and for that reason they are the best for our purpose.

Mr. *Goschen*—continued.

1648. Is it your good fortune in Scotland that you have, through your system, which is a good system in that respect, a peculiarly steady class of depositors?—I think that we have a very steady and steadily increasing class of depositors.

1649. Depositors more valuable on that account, possibly, than mercantile depositors?—No, not more valuable as depositors on that account; because the mercantile depositor keeps his money more upon the current account principle, upon which a much lower rate of interest is allowed, and the mercantile depositor is a more valuable constituent. (Mr. *Fleming*.) That is to say, valuable only in the sense of profit, but the mercantile deposits fluctuate more.

1650. (To Mr. *Fleming*.) Consequently you would deal with the investments of different classes of depositors, possibly on a different principle?—Certainly.

1651. And, on the whole, the steady depositors of small amounts are more valuable than the depositors of large amounts, are they not?—For purposes of investment, certainly.

1652. (To Mr. *Gairdner*.) Take the case of two banks, one of which had a very steady class of depositors, and the other of which had a more fluctuating class of depositors; the bank having the steadier class of depositors might be content, might it not, with a smaller margin of profit in any given year than would be taken upon a less valuable class of depositors?—I do not think that follows. The steady depositor would get a higher rate of interest than the fluctuating depositor, and the profit might be larger upon the fluctuating deposit. Upon the steady depositor, because he is steady, we are satisfied to get a lower rate of of profit.

1653. On a very safe business, on a permanent business, would you not be content with a smaller margin of profit than you would be content with upon a less safe and less permanent class of business?—Yes, I think that that principle is sound.

1654. And the Scotch system of banking being particularly permanent, and particularly safe, and involving few bad debts, as has been stated, you might be content with a smaller margin of profit than if you had a more precarious class of business?—Yes; but at the same time we, like other business men, make as much profit as we can.

1655. But you have shown that the 11 banks of Scotland do not make as large a profit as they can, but that they make a very large profit for the Scotch people?—We make as much as we can, but we do not press unduly upon the public in the matter of profit.

1656. But you have a peculiarly safe business in Scotland, and a business collected from a vast number of people; is it fair to say that if English banks, with a less safe business and a less organised system of deposits, have a rather higher per-centage of profits, on their deposits, therefore they are doing a better business than the Scotch banks?—I should be sorry to say that the English banks do a less safe business, for I am not aware of the fact. I see no reason why the Scotch system applied

Mr. *Gairdner*, and Mr. *Fleming*.

13 May 1875.

Mr. *Goschen*—continued.

to England should not produce the same or even better results than it does in Scotland.

1657. Banks may make profits, may they not, both by deposits, and to a certain extent, by commissions?—No doubt.

1658. Do the English banks make a larger proportion of their profits by commissions than the Scotch banks?—I have heard it said so, but I have not professed to give particular instances.

1659. If the larger proportion of profit is made by commissions, then your system of calculation would break down, would it not?—I think not.

1660. Take the case of two banks, the one having 10,000,000 *l.* of deposits, and the other having 7,500,000 *l.*, and assume that the bank with the smaller amount of deposits has a better commission business than the other; that is a possible assumption, is it not?—I think that commission business grows out of the deposits; the deposits are, in the long run, the key to the business.

1661. That is not always so, is it?—As a general principle, I should say that it is so.

1662. But that would apply less in England, where there is more dependence upon the commissions than with you, would it not?—I am not prepared to speak with regard to England; I am told that they charge larger commissions, although that has been disputed, I believe, by some of the members of the Committee, but I do not myself see that the application of the principle is unfair to the English banks.

1663. You say that you are not prepared to speak with regard to England, but you have put in a table which shows the results of English banking, have you not?—I have taken all the balance-sheets which I could find, and I think, if I could have got all the balance-sheets of the English banks, the principle would be complete.

1664. Supposing that a bank with somewhat smaller deposits relatively may have a somewhat larger commission business, then it is possible that the bank with, let us say, 7,500,000 *l.* of deposits, and the bank with 10,000,000 *l.* of deposits, might both earn annual profits of 120,000 *l.*; that would be, according to your calculation, 1 *l.* 4 *s.* per cent. upon the 10,000,000 *l.*, would it not?—Yes.

1665. But if the bank with the smaller deposits made its total gains up to the 120,000 *l.*, by its commissions, then the per-centages would work out as follows: The one bank would show a per-centage of profit of 1 *l.* 4 *s.* upon the 10,000,000 *l.*, and the other bank would show a per-centage of profit of 1 *l.* 12 *s.* upon the 7,500,000 *l.*, and the two banks would nevertheless be making precisely the same profits?—If I understand you, it might be put thus: that there might be a person calling himself a banker who had neither capital nor deposits, but who might earn money by means of commissions. I can quite suppose such a case.

1666. That is not my case, because I am assuming that the one banker has within 25 per per cent. the same amount of deposits as the other; you would admit, would you not, that there is legitimate banking commission business?—My idea is that the proper position of a banker is that of the custodier of the funds of the people, and that the commission comes in as an incident, and not as the most important circumstance in his business.

1667. But still the transfer of money from one

Mr. *Goschen*—continued.

place to another, diffusing it either through Scotland, or facilitating the passage of money from Scotland to England, or from one part of England to another, is a legitimate portion of the profits of banking, is it not?—No doubt.

1668. And accordingly as that element of commission business enters in a larger proportion into a banker's business as compared with the deposits, so will this calculation show a larger profit upon the smaller deposits, will it not?—Yes; but I should think that any banker whose profits are chiefly made on commissions, would, if he were carrying on his business alongside of the other banker who has the deposits, find himself unable to maintain his commission business, because the deposit holder would contest the matter with him upon too favourable terms.

1669. But if the one bank is at Liverpool and the other in Scotland, and you compare the two businesses together, the profit may be the same and the services rendered may be the same, and yet according to the calculation it may appear may it not, that the per-centage of profit is vastly different in the two cases?—It may be so.

1670. If it be the fact that the English banks do more commission business than the Scotch banks, that would account, to a certain extent for the differences in this table, would it not?—The table includes all our commissions, as well as profits of a regular kind, so that I do not quite see that you make out your case.

1671. If the proportion of your commission business to your deposits is smaller in Scotland, and if the proportion of commission business to deposits is larger in England, that will tell, will it not, to make the profits of the English bankers appear heavier on their deposits than would otherwise be the case?—I fancy it will; but still I think that the system which we have in Scotland, working alongside of the system of commission business which you put, would supersede the other in the long run.

Mr. *Anderson*.

1672. The Chancellor of the Exchequer has asked you several questions, based upon the hypothesis of the Banking Acts being opened up; have you any other suggestions to make upon the same hypothesis?—I should like to consider that carefully before giving an answer. I rather think that there are some matters of detail that we should like to suggest if that was under consideration.

1673. In fact, you did not expect to be asked the question?—I did not expect to be asked the question. There are matters of detail upon which very likely we should like to make suggestions, and if I were asked to do so, I should do so. (Mr. *Fleming*.) I should certainly, as one of the three representatives of the Scotch banks, expect that, if the whole question was to be opened up, we should, as a body, have an opportunity of considering that matter which we have never turned our attention to; I was led to make the remark, simply because something had fallen from the Chancellor of the Exchequer which led to it.

Mr. *Goschen*.

1674. (To Mr. *Fleming*.) It has been stated in evidence that no note-holder in the Western Bank had suffered any loss; can you tell us what was the position of the note-holders in the Western Bank

Mr. *Goschen*—continued.

Bank of Scotland after the failure of that bank?—No creditor suffered any loss.

1675. But the note-holders were kept out of their money, I presume?—No. On the day on which the Western Bank of Scotland stopped payment, the notes out of the hands of the Western Bank were something like 770,000 *l.*, so far as I recollect; but the mass of those notes were received by other banks who became the holders of them, and who held them over as creditors of the Western Bank until the liabilities of the bank were repaid.

1676. Were there no notes in the hands of the public?—Very few.

1677. How was that?—Because of the discredit of the bank.

1678. During the run that preceded the collapse of the bank, the note-holders presented their notes, did they not?—The note-holders never presented their notes. In point of fact, when the Western Bank stopped, it had something like 70,000 *l.* or 80,000 *l.* in gold in its coffers. Payment was not demanded in gold at any stage. The nature of the demand upon the Western Bank was this: the depositors presented their deposit receipts for payment, and got payment in the shape of notes of the Western Bank, and they took those notes to other banks, and deposited their money there. So long as the other banks were willing to take as they did take these notes, of course there was no inconvenience to the public.

1679. Had there been for some time previously to the collapse few notes in the hands of individual note-holders?—I should say that there had been fewer notes in the hands of individual holders during the last fortnight of the existence of the bank, because there was a certain amount of discredit attaching to the bank.

1680. But I do not quite understand how they dealt with their circulation in the hands of shopkeepers, and of what you may call quite the general public, if they did not present the notes?—The notes retained their currency simply because payments might be made by the holders in those notes. For example, if I was the holder of 20 *l.* of Western Bank notes, and wished to make a purchase in a shop, I would pay for that purchase in those notes, and the shopkeeper would accept them because he knew that by taking them to his own banker he would get credit for the amount. In short, the notes retained their credit until the other banks refused to take them, which was not until I think the second day after the failure of the bank.

1681. Can you state to the Committee the amount of notes that remained in the hands of the public?—I cannot; ultimately the whole of the 770,000 *l.* came through the banks.

1682. Was there a large number of people who, although the amount of their holdings may have been small, on the second day after the failure of the bank found themselves with the notes?—I have no means of saying that there was this number or that number; but I have no hesitation in saying that there was no inconvenience worth speaking of occasioned through the holding of the notes.

1683. Were those notes which had remained over in the hands of the public, paid before the rest of the liabilities of the bank?—They were not; they were not paid to the public at all; the

Mr. *Goschen*—continued.

position of the matter was this: the Western Bank stopped on a Monday, and on the following Wednesday the other Scotch banks came to the conclusion not to take the notes of the Western Bank, although they had done so on the Tuesday, on Wednesday the other banks declined to accept the notes; but on the Thursday they came to the resolution to take them, so that it was only for 24 hours that the notes remained to any extent in discredit. Mr. Gairdner suggests to me that the other banks were, of course, naturally anxious to get into the position of the holders of deposits of the Western Bank. I think I am right, speaking from recollection, in stating that the deposits demanded from the Western Bank during the last fortnight of its existence amounted to about a million and a half; it is quite plain that an unexpected demand of a million and a half upon any bank would seriously embarrass it; but so long as the other banks were prepared to give the public credit for deposits paid in the shape of Western Bank notes, the public suffered no inconvenience.

1684. Then, although there was one day when there might have been an inconvenience to the note-holders, the banks on the Thursday made up their minds again to take the notes, so that every one got the option to pay them into other banks, and the act of the other banks thus saved the note-holders from any inconvenience?—Yes, to the very limited extent to which those notes were in the hands of the public; but the extent was limited, for, as I have already explained, there was considerable discredit attaching to the bank for several days.

1685. As I understand, the action of the other banks, both before the failure and after the failure, saved the note-holders from the position of having to wait for their money until the liquidation of the bank?—Your question assumes that during the fortnight before the failure the amount of circulation in the hands of the public would have remained what it was while the bank's credit was good; but I think it was very materially reduced.

1686. Do you consider that the enactment of the law that gold is to be held against the excess of the authorised issue does not really contribute much to the safety of the note-holders?—No, I really do not think that it does contribute legally to the safety of the note-holder, nor do I think that it was intended so to do. I have looked, in consequence of some remarks which have been made to-day, at Sir Robert Peel's speech on the 25th April 1845, when he introduced the Bill of 1845, and I find that he says this: "As I said before, if the issues for the month are within the limited amount, there will be no necessity for anything beyond that necessity which will still exist for the banks being able to pay their notes in specie on demand. There is to be no restraint upon them beyond their present liability to pay in specie; we do not interfere with that obligation; we leave to their own sense of what is for their own security to do that which they think ought to be done; and, provided they keep within the average of the 13 months, we trust to their own discretion to do that which is calculated to secure the confidence of those who deal with them. I apply the same rule to Ireland. The average amount of the issues of each bank, and in this I include the Bank of Ireland, is to be that to which they are entitled by the average

Mr. *Gairdner*, and Mr. *Flemming*.

13 May 1875.

Mr. *Gairdner*, and Mr. *Fleming*.

13 May 1875.

Mr. *Goschen*—continued.

from their past circulation. They are to continue within that amount of circulation, and if there be an excess then that excess shall be issued in specie. We are willing to trust to the honour of the bankers, both in Scotland in Ireland, as to their retaining in their custody a sufficient amount of assets to meet their circulation. We do not propose that there should be any certain amount of deposit as a security. As it is necessary, however, that we should have some security against fallacious returns, we propose that there should be a return made to the Government," and so on, showing, I think, that the intention was very far from the mind of Sir Robert Peel to make the issues, either in Scotland or in Ireland, a thing based upon gold, or, as Mr. Hussey Vivian put it, represented by gold. Represented in one sense unquestionably it is, but not in the legal sense of hypothecation.

1687. So far as you can judge, public opinion in Scotland would not attach any great importance to this enactment of gold being held against the notes, but would look rather to the general solidity of the banks?—I think the amount of gold held against notes is the last thing in the world that the people of Scotland trouble themselves about.

1688. Do you think that the immense favour and confidence placed in the Scotch notes by the Scotch people has at all arisen from the fact that the Scotch banks have been thoroughly Scotch in their business; that the whole of their operations were thoroughly known to the Scotch pudlic, and that the class of business done by them was always understood to be of a safe character, and within certain limits?—I think the confidence of the Scotch people in Scotch banks rests upon this: that they know that there has been one bank established for 200 years, that another bank has been established for 150 years, and others for shorter periods; that those banks have carried on their business with success, and with comparative immunity from loss, and that banking failures have been almost unknown. Such a thing as a failure of an issuing bank has not occurred in Scotland, certainly for the last generation, with the exception of the Western Bank, from the failure of which the public sustained no loss.

1689. Was not the opinion to a certain extent prevalent, and was it not, in fact, the cause of the failure of the Western Bank, that it had rather gone beyond the general Scotch business, and had established agencies abroad, and had done business which the Scotch banks had generally not done up to that time. I do not say whether it was a just or unjust impression, but was it not the current impression?—The current impression in the banking world was that from its infancy the Western Bank was conducted upon false principles. Its drafts on its London correspondents were refused, I think, within the first year of its existence. The other Scotch banks came to its rescue then, and advanced money upon the condition that it should establish a reserve in London according to the established practice, and they lent it money for the purpose of purchasing Consols. That arrangement was very speedily departed from. After it had existed about 6 or 7 years, in the year 1838 it applied to the Government for a charter of incorporation. The other Scotch banks opposed that application on the ground that the Western Bank was disregarding the sound principles upon

Mr. *Goschen*—continued.

which Scotch banks had been hitherto conducted. Its failure was partly the result of its going to New York to conduct business, and partly of its lending large amounts to a number of concerns at home which were utterly unworthy of credit.

1690. You were asked a question with regard to the objects of the Scotch banks in coming to London. There are two objects, are there not, that might be in view in the Scotch banks coming to London; the one to save the expense and inconvenience of having to employ other people in London to manage their Scotch business, and the other to take part in the general banking business of London?—I do not put it so. First of all, I frankly admit that were the question of economy the sole question, it would never have induced the Royal Bank to think of coming to London, because I do not believe it is a matter of economy. In other words, I think a London establishment is necessarily attended with greater expense than the conduct of the business through other London bankers; but what led the Royal Bank chiefly to desire to come to London was this, that the establishment of the branches of two other Scotch banks had introduced a new element into the competition amongst the Scotch banks, that their establishment had pointed out to mercantile men in Scotland customers of all the banks in Scotland, the facilities which a London banking account gave to them. The practice of accepting mercantile bills payable in London has extended very greatly within the last 20 or 30 years, and a merchant in Glasgow carrying on a large foreign business can conduct his financial banking operations quite as well through a London banking account, as he can through a Scotch bank. The result of that was that a temptation was held out to our Scotch customers to open banking accounts in London. Our great object, therefore, is to preserve our Scotch business, and by means of this London office to give to our Scotch customers the facility which they would get elsewhere, and to maintain our connection with them. I do not mean to say that if business of a class which we thought ourselves quite capable of conducting, and which we regarded as safe business, arose, it would be rejected; quite the reverse, but so far as our establishment in London is concerned, it is in its infancy.

1691. Can the Scotch banks use practically the whole of the money which they collect through the system of deposits in Scotland itself?—No, at least we cannot.

1692. While Scotland, therefore, becomes as it were a lender through the system of deposits, England becomes a borrower from Scotland to a certain extent, does it not?—It does, and has done for very many years.

1693. And those borrowings you propose to arrange for yourselves rather than to arrange them through the London banks?—Yes. The surplus cash after providing for our reserves, in our case at all events, was always invested in the purchase of bankers bills from the bill brokers' of London; that was often negotiated by telegram between myself in Edinburgh and the bill brokers in London, but we found that very inconvenient.

1694. To what extent will the Scotch banks coming to London bring large amounts of additional capital to London?—I do not think to any extent, because it has always come to London.

1695. Then if people think that the arrival of the

Mr. *Goschen*—continued.

the Scotch banks is going to lower the rate of interest in the money market generally by introducing fresh Scotch capital, that would be a mistake?—I should think it would.

1696. And the London bankers need not be apprehensive of any competition in your opinion, in consequence of Scotch capital being put into the London market?—I think that it would be a great mistake for the London bankers to think that the competition will be at all increased, for as I say, the surplus capital of the Scotch banks has always been sent to London.

1697. On the other hand, it would be a mistake on the part of the London borrowing public to think that great additional advantages were going to be brought to them?—That depends entirely upon the class of people with whom we are brought into contact. It is obvious that if you have half-a-million of surplus money from Scotland which you intend to invest, you may find half-a-dozen ways of doing it.

1698. There would be no more money brought to London?—There would be no money derived from Scotland.

1699. And that would be the point; that you would not carry any additional money with you from Scotland to London?—Not unless the deposits from Scotland continue to increase as they have been doing.

1700. Would you adopt in London the English system of banking, or the Scotch system of banking?—The English system of banking.

Mr. *Balfour*.

1701. Could we find out whether the Bank of Scotland is going to adopt that system?—I think I may say for the Bank of Scotland, that that is the principle upon which they act, because I have had repeated conversations with Mr. Davidson with regard to that matter.

Mr. *Goschen*.

1702. You would not be able of course to introduce in London that system of arrangement even among the Scotch banks themselves that you have in Scotland?—That was one of the confusing elements that compelled the Royal Bank to press upon the Government the necessity of extending its powers so as to permit it to come to London, because the moment any bank has a London office, it necessarily is outside of any arrangement binding in Scotland, and with two banks so placed, the Royal Bank felt at a disadvantage. The Scotch arrangement is inapplicable in London.

1703. So that your arrangement by which you are all linked together in Scotland made it practically necessary that if some of you come to London, you must all come to London?—I am afraid it must come to that; I confess that I came to London with not a little hesitation and regret, for I think it adds very seriously to the responsibility of bank management.

1704. Will you state your opinion to the Committee fully upon that point as to why you have regret having come to London?—Simply because I think it is one thing to manage a bank in Scotland, but it is a much more serious thing to manage a branch which is more extensive, or which may become more extensive, in London; and therefore on personal grounds I

Mr. *Goschen*—continued.

felt that I was adding to my own responsibility.

1705. Is that view shared by the other bank managers?—I am not aware; I do not know that I have had any conversation upon that subject with any other bank managers.

1706. I have heard that there is a great difference of opinion in Scotch banking circles as to the wisdom and propriety of coming to London; may I take it that I heard correctly?—Yes, that I think is quite correct; certainly two of the banks have expressed their opinion that it was unwise, but at the same time they have intimated their opinion that they have not the power to come to London.

1707. Do you think that the unwisdom consisted in the Scotch banks committing themselves to new business in London in which they were less thoroughly versed than in their own, and which might bring new liabilities and dangers?—That question I cannot answer, because the conversation never turned upon it; but if I know anything about my own opinions I shall take good care not to commit myself to a new description of business unless I thoroughly understand it; at the same time we are not called upon to undertake nor to commit ourselves to a new description of business.

1708. The point never turned, I think I understood you say, upon the issues; you do not think that Scotch note-holders have ever considered the point that the banks would be committing themselves to new liabilities which are less known in Scotland, and would therefore lose that pecular Scotch character which has for so many years secured the absolute safety of the note?—I think the interest of the Scotch note-holders is so small as compared with the interest of depositors in Scotch banks, that such an idea would be far more serious if it were entertained by the depositors, because you would cut away from us the ability to carry on business anywhere. The note-holders never disturbed themselves about the matter, but if you did any thing to shake the confidence in the Scotch banks, it is the depositors who would get alarmed and not the note-holders.

1709. Might not the idea have turned up whether by coming to London you were not risking the particular Scotch method by which you had been so successful up to that time?—The idea might be suggested, and, if suggested, might take root.

1710. I understood that that was the idea that had arisen in Scotland?—I was not aware that that idea had either arisen or been expressed; I should think quite the reverse.

1711. Do you think that the Scotch and general public would not consider that there were any greater liabilities undertaken by the banks by coming to London?—No; because I am not aware that the Royal Bank have undertaken any greater liabilities in coming to London than existed before.

1712. And that whilst there was a difference of opinion among bank managers as to Scotch banks coming to London, the public would view it with considerable disfavour?—I think the public have not concerned themselves in the least about it. The only part of the community who have thought about it have been the mercantile community, and they have expressed themselves very decidedly favourable to it.

Mr. *Gairdner*, and Mr. *Fleming*.

13 May 1875.

Mr. *Goschen*—continued.

1713. Those are the class, are they not, whose business you would undertake to do in London, instead of its being done by a third hand?—Not instead of its being done by a third hand. A Scotch bank cannot give its Scotch customer the facility of a banking account in London, except by introducing him, and handing him over to a London banker. The Royal Bank can give to its Scotch customer through its London office all the facilities which the London and Westminster Bank could give; but if the Royal Bank were not in London it could only introduce its Scotch customer to a London Bank, and so it would lose the whole advantage of his account.

1714. Have the Scotch banks not maintained their credit and the general confidence at times when there has been a considerable panic in London?—They have.

1715. Was not that because they were known to be out of it?—That I do not know. If a Scotch bank was so unwise as seriously to commit itself to improper engagements of a purely London character, which I do not think any of the Scotch banks are likely to do, then it would necessarily participate in the disadvantages, and in the discredit, if discredit exists, of a London bank; but so long as it avoids so committing itself; so long as it knows its business and maintains its position and reserves, I do not think that it has anything to fear.

Mr. *Goschen*—continued.

1716. As a matter of history, the credit of the Scotch banks has been exceedingly good at all times, and the opinion has been strong in Scotland, and I think I may also say in England, that the Scotch banks were comparatively little involved in banking difficulties, such as have sometimes occurred in England?—They were not directly involved, of course, because they were not here, and could not be, and therefore they sustained no discredit.

Monday, 31*st May* 1875.

MEMBERS PRESENT:

Mr. Anderson.
Mr. Backhouse.
Mr. Balfour.
Mr. Stephen Cave.
Mr. Chancellor of the Exchequer.
Mr. Beckett Denison.
Mr. Orr Ewing.
Mr. Goschen.
Mr. Leveson Gower.
Mr. Hubbard.
Mr. Kavanagh.
Sir John Lubbock.
Sir Graham Montgomery.
Mr. Mulholland.
Mr. William Shaw.
Mr. Torr.
Mr. Hussey Vivian.

Mr. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. RICHARD BLANEY WADE and Mr. EDWARD ATKINSON, called in; and Examined.

Chairman.

1717. (To Mr. *Wade.*) YOU are a Director of the National Provincial Bank of England, are you not?—Yes.

1718. (To Mr. *Atkinson.*) And you are the General Manager of the National Provincial Bank of England?—I am joint general manager with Mr. William Holt.

1719. (To Mr. *Wade.*) You have taken an active part in the discussion of the question relating to the Scotch banks carrying on business in England, have you not?—We have, in common with our friends, both in London and in the country.

1720. And you contend that the spirit, if not the letter, of the Banking Acts of 1844 and 1845, shows that when they were framed, it was meant that banks of issue should confine their banking operations to the countries in which they enjoyed such privileges of issue?—We think so.

1721. Can you say anything in support of that opinion?—Merely this: that from reading the debates that took place in Parliament during those years 1844 and 1845, we think that the whole meaning of that legislation was, that certain banks should have great privileges, and we believe that they were to confine their operations to those countries in which they enjoyed those privileges; and we are fortified in that opinion by the great doubt that is expressed as to the state of the law upon this question of the Scotch banks coming to London, which seems to us to show that at any rate the spirit of these Acts was against the course which they have pursued.

1722. Is your contention with regard to the Scotch banks that they should not be allowed to do business in England?—That they should not be allowed to do business in England, at the same time retaining the very great privileges which they enjoy in Scotland.

1723. Do you mean that if they do business in England, they should give up their privileges in Scotland?—We think so; or that like privileges should be extended to the English banks.

1724. To what privileges do you refer?—I would refer especially to their powers of unlimited issue and also to their powers of issuing 1*l.* notes; and again I think that the state of the law gives them a certain permanence in their system which is a much greater advantage than is enjoyed by English banks of issue. Again, I should say that their privileges have caused them to enjoy an immense monopoly, and, in fact, a complete monopoly of banking in Scotland, and that it would be impossible for any English bank to go there to compete with them. Then, again, as regards their excess of authorised issue for which they hold gold, I think that that is a great privilege, for that gold is liable to the whole of their liabilities, and not simply to the excess of issue beyond their authorised amount. Lastly, I should urge that it is unfair that banks which have such great privileges from the State should be allowed to compete with English banks which have not the same privileges.

Chairman—continued.

1725. Will you explain what you mean by the permanence of their system?—What I meant by that was this: that in England if all the banks of issue gave up their issue to-day, there is a machinery ready provided to supply the gap. There is nothing of the kind in Scotland; there is no machinery for supplying any deficiency that might occur from one or two of the banks there relinquishing their issues; and I think that that certainly gives greater permanence and greater stability to the Scotch system than the English banks enjoy.

1726. Suppose that you would also take into account the fact that the Scotch banks may amalgamate without losing their issues, which is not the case with English banks?—Yes.

1727. In what respect do you say that they have a monopoly?—I think that the result proves the monopoly, inasmuch as there are fewer banks in Scotland than there were, and as I believe since the year 1845 no new bank at all has started. I think that that practically establishes the fact that they have a monopoly in Scotland.

1728. But do you not distinguish between a monopoly resulting from legal privileges and a monopoly resulting either from natural causes or from

Mr. *Wade* and Mr. *Atkinson.*

31 May 1875.

Mr. *Wade* and Mr. *Atkinson*.

31 May 1875.

Chairman—continued.

from the excellence of the management of those banks which are in possession of the field?—My contention would be that the Parliamentary privileges which they enjoy really do give them that monopoly.

1729. How do you make that out?—Supposing for one moment that my bank established branches in Scotland, we should have to use the notes of some of our competitors. That alone, I think, would prevent any bank having a chance of succeeding; we should be really advertising the other bank which was in immediate and hot competition with us. I do not think that that state of things exist here in the case of a Scotch bank coming and using Bank of England notes. The Bank of England, I think, is in an entirely different position in this country from the banks in Scotland; no bank in England feels that hot competition from the Bank of England that we should feel from the existing Scotch banks if we went to Scotland.

1730. When you say that the Scotch banks have an advantage in respect of the gold which they hold against their authorised issue, being held against all their liabilities, will you explain the precise way in which they have an advantage in that respect over the English banker, who issues only his authorised issue, and has no issue against gold?—The Scotch banks, I apprehend, are on an equality with the English banks as regards their authorised issues, but the Scotch banks have the great advantage of an unlimited issue. The gold which they are obliged to hold at certain seasons against that unlimited issue, is liable to the whole liabilities of the bank, as I apprehend; and that gold, as I understand, has been proved before the Committee, they would be obliged to hold in any case at all.

1731. Would not a banker, who was an issuing banker, hold more gold in consequence of his having a large number of notes out, than he would hold if he had no notes out?—Probably, to some extent, he might.

1732. Then, although the gold that he would hold would be held against both his notes and his deposits, he would be really obliged to hold more gold on account of having a circulation, would he not?—It might be so.

1733. Supposing that the Scotch banks were not allowed to issue anything except their authorised circulation, would they not find it impossible to do with less gold in order to hold against their deposits and other liabilities?—I have no doubt that they would economise their gold as much as possible.

1734. Putting the matter conversely; supposing that a power was given to an English provincial bank of issue to issue notes against gold, in addition to the authorised issue, would not that banker, all things else remaining the same, be obliged to hold a larger stock of gold than he now does?—To a certain extent, of course he would.

1735. Then you hold that Scotch banks enjoying these privileges in their own country, ought not to be allowed to come into England and compete with English banks unless they surrendered those privileges, or unless corresponding privileges were given to English banks?—We think so.

1736. Would the latter alternative be as fair as the former, viz., that the privileges should be given to English banks?—No doubt it would put us on an equality, but I could not off-hand say which alternative I should prefer.

1737. Do you think that you could raise any complaint at all if a similar law were enacted for England as is enacted for Scotland?—No, I do not think that we could.

1738. You could not maintain that, in the nature of things, there should be one banking system for the one part of the United Kingdom, and another banking system for the other?—I do not think that we could, though we should not have the same monopoly in England as they have in Scotland. It would work differently in England, and therefore the English banks would not be quite in the same position; but, of course, that we could not say much about.

1739. Supposing that instead of restricting the Scotch privileges you extended the English privileges, do you believe that the English banks would thereby be really put upon a footing of equality with the Scotch banks?—They would not in that respect.

1740. That is to say that, from the circumstances of Scotland, the Scotch banks would, all legislative conditions being equal, have an advantage over the English banks?—It appears so from experience.

1741. But you contend that that natural advantage which the Scotch banks have ought to be corrected by legislation?—We think so; they have legislative advantages.

1742. Would you apply the same doctrine to banks established in other parts of the world besides Scotland and Ireland, carrying on business in England?—I should not; we feel no competition in England from colonial and foreign banks.

1743. But supposing that a competition did spring up, should you raise the objection?—It has always seemed to me that there is this difficulty with respect to the colonial banks: so far as I understand, they derive their powers of issue from other systems of Government than that in England, from Colonial Legislatures, and so on, and that would increase the difficulty of dealing with them.

1744. It would increase the difficulty of dealing with them, but would it alter the inherent unfairness of the competition?—I should not myself think it necessary to deal with them; I think that the cases are not at all analogous; they are very different.

1745. Have many non-issuing joint stock banks been established in England of late years?—A great number.

1746. And those which existed before have increased their paid-up capital, have they not?—Very largely; both their paid-up capital and their reserve funds have very largely increased.

1747. Do you consider that they have any right to complain that they have done so under an impression that the law was different from what it now appears to be?—I think so.

1748. Will you explain why?—Our impression is that there was special legislation with regard to English, Irish, and Scotch banks in the years 1844 and 1845. According to our view of the subject, at that time we knew thoroughly what competition we had to face. We imagined that it was all laid down in these Acts, and that no fresh competition which did not then exist would come into play. But, of course, if the Scotch banks

Chairman—continued.

banks are allowed to come into England with the large privileges, as we think, which they possess, a fresh competitor would appear upon the scene, and we should be exposed to a competition which certainly, until very recently, we believed that there was no reason to expect at all.

1749. Do you think that if Scotch banks were allowed to extend themselves over England with legal provisions in harmony with the law of Scotland, there would be any inconvenience to English creditors?—We cannot help thinking that difficulties would arise.

1750. Will you state in what way?—I should think that, assuming for a moment that a Scotch bank went into liquidation, there would be considerable trouble to the English creditors in proceeding against them. The greater part of the assets of the Scotch banks would probably be in Scotland, and I should imagine that proceedings would have to be taken in Scotland against the Scotch banks, which, of course, would be both a troublesome and expensive course for the English creditors to pursue.

1751. Would not that difficulty apply equally to the case of a Scotch bank which might have surrendered its exclusive privileges in Scotland, and which was carrying on its business in England?—It might.

1752. Do you suppose that if the Scotch banks were to establish branches in England, it would lead to the growth of a circulation of 1 *l.* notes in any part of the country?—We think that it must follow, as a matter of course, that wherever there were Scotch branches the Scotch 1 *l.* notes would circulate; and we believe that already it is the case in Cumberland, and that the number of 1 *l.* notes circulating in that part of the kingdom has increased.

1753. But the circulation of 1 *l.* notes in any part of England is prohibited by law, is it not?—Yes; and so is carrying light gold.

1754. And you believe that the law would fail to check it?—I should imagine that it would be quite impossible to put it into action.

Mr. *Hubbard.*

1755. Is there any penalty upon the circulation of Scotch notes in England, between individuals?—I have always heard that there is, but I cannot quote the Act.

Chairman.

1756. Amongst other points to which attention has been drawn, is that of the difficulty which an English banker experiences in dealing with accounts which pay in specie to large amounts; would you explain what the nature of that difficulty is, and how it operates more severely against an English banker than it would against a Scotch banker having a branch in England?—In England frequently the amount of specie that a banker has to hold is a source of loss. We believe that a Scotch bank coming to England and having a surplus of specie, could employ that specie by sending it to Scotland to hold as a portion of the amount that they are obliged to hold against their excess issues.

1757. Their doing so would enable them practically further to increase their issues in Scotland?—We think so.

1758. Can you give any information as to the amount of the remittances by the National Provincial Bank to Scotland?—It amounts to something like 3,000,000 *l.* in the year in cheques and bills.

Chairman—continued.

1759. And on this sum it pays to its Scotch agents a certain commission, I presume?—It does.

1760. How does it protect itself?—By charging the customer a certain commission on the transaction.

1761. In the event of the Scotch banks doing business in London they would carry off that profit, would they not?—Yes.

1762. Are there any other points in connection with the Scotch system upon which you wish to make any remark?—I think that I have stated them all. Perhaps I have not insisted sufficiently upon the great advantage of the unlimited issue. That privilege enables the Scotch banks to work up the whole of their authorised issue without any fear at all of transgressing the law; and I think that that is a great advantage; and also their being able to keep their tills filled with unissued paper is, of course, an immense advantage in carrying on their business. It costs them nothing till the note comes back, or until the time comes for their being obliged to hold gold against the notes that are out.

1763. What do you mean by saying that it enables them to work up their authorised issue to the full limit?—I mean this: that they are never in dread of breaking the law; they can issue every fraction of their authorised issue without thinking of the law. In our case we had always to watch, and to take care that we did not transgress the law. If our branches were issuing too much of our own paper, we were obliged immediately to send down Bank of England paper to reduce the issues in order that we might not transgress the law.

1764. But why should the Scotch be freer from that than you were?—Because they can issue any amount; there is no limit to their issue.

1765. Provided that they have gold?—They must have gold. I assume that they have gold to carry on their business, and it is impossible that they should not have it. I cannot insist too strongly upon the great utility of banks of issue situated as they are, of having this unissued paper in their tills to meet any call that may come upon them.

1766. Then you would contend that in consequence of the gold being held against all their liabilities, they must necessarily keep a stock of gold considerably in excess of the mere circulation, and that there being that excess they could always increase their circulation within that margin without breaking the law?—That would be my view of it.

Sir *John Lubbock.*

1767. With reference to the advantages which the Scotch banks possess in their right of issue, Mr. Gairdner was asked this question: "I presume that the Committee may take it that many of your smaller branches would practically be unremunerative if you had to keep either gold or Bank of England notes in them?" to which he replied "Quite so." You would, I presume, agree with that answer?—Quite so.

1768. (To Mr. *Atkinson.*) How much loss of time is involved in sending a cheque through the country clearing-house?—I think it takes three days.

Mr. *Wade* and Mr. *Atkinson*.

31 May 1875.

Sir *John Lubbock*—continued.

1769. If it does not go through the country clearing it would take two days, would it not?—Yes.

1770. Therefore, the loss is one day?—Yes.

1771. Supposing that an Edinburgh bank receives on the Monday a cheque drawn upon a Birmingham bank, if it sends it through the country clearing it would reach London on the Tuesday, would it not?—Yes.

1772. It would go down to Birmingham on the Tuesday, and be paid on the Wednesday, would it not?—Yes.

1773. If on the other hand it went direct, it would be paid on the Tuesday?—Yes.

1774. Therefore the loss is not, as Mr. Gairdner supposed, several days, but one day?—One day, I should consider.

1775. And in sending a cheque in that way through the country clearing, the Scotch banks obtain the amount free from any charge, do they not?—Yes.

1776. Is there any charge whatever made by any English banker upon cheques received through the country clearing?—Not to my knowledge.

1777. On the other hand English bankers have no such convenient mode of collecting cheques drawn upon the Scotch banks, have they?—No; we are obliged to employ our agents, and to pay them a commission.

1778. As to the legality of the country clearing, that has been tried before the courts, has it not?—I believe that has been quite settled.

1779. (To Mr. *Wade*.) In answer to several questions Mr. Gairdner and other Scotch witnesses expressed a strong opinion that the Scotch banks were more liberal to the public than the English banks are; do you admit that to be the case?—No, we cannot see it at all.

1780. (To Mr. *Atkinson*.) That liberality was said to consist in the fact that the Scotch banks do not charge commission upon their accounts, but, on the other hand, they have handed in their charges, and I should like, with reference to them, to ask what is about the average amount of a country cheque?—I have seen a statement in which it is clearly shown that about 25 *l*. is the average amount of a country cheque.

Mr. *William Shaw*.

1781. That is in England, I suppose?—In England.

Sir *John Lubbock*.

1782. There is no reason to suppose, is there, that the amount of country cheques in Scotland would be larger than the amount of country cheques in England?—I should think that they would probably be smaller.

1783. I see amongst the charges that are made by the Scotch banks, that for negotiating every cheque and draft on a bank in Scotland, payable in a town at a distance exceeding 15 miles, there is a charge of 6 *d*.; that, therefore, would practically come, taking the average amount of a cheque at 25 *l*., to a commission of 2 *s*. per cent., would it not?—It would.

1784. On retiring bills in Scotland I see that 3 *s*. per cent. is charged; how does that stand with reference to the average charges made by your bank?—The average charges made by us have very much varied of late years. At one time a quarter per cent. was very common, but

Sir *John Lubbock*—continued.

owing to competition and other causes one-eighth per cent. is now much more usual, and with large accounts it is coming to this: that an agreed annual sum is the usual thing.

1785. Then, in fact, you maintain that although the charges are made in a different way, those charges which are made by the Scotch banks amount to quite as much as, or even more, than the charges which are made by your bank?—No, I should think that in the matter of charges we have the advantage of them in the shape of commission; but if I were speaking of the general business as a whole, as to the rate of discount, and so on, I should think that their charges must be superior to ours in the matter of discount, although we have, I think, the advantage of them in the matter of commissions. For instance, we deal in the matter of discount according to the excellence of the paper, and we take it in many cases at the bank rate, or a little above the bank rate, and so on; but if I have read correctly the statement prepared by the representatives of the Scotch banks with regard to their charges, they charge a uniform rate of discount.

Chairman.

1786. When you speak of "superior" charges, do you mean higher or lower?—Higher.

Sir *John Lubbock*.

1787. A charge of 6 *d*. a cheque will practically come to a commission of about 2 *s*. per cent., will it not?—Yes. In the matter of commission, I think we charge more than they do.

1788. But then you do not make any charge upon negotiating cheques, do you?—No; on a creditor account all that would be done for nothing.

1789. Therefore so far as the commission is concerned, you admit that your charge is somewhat higher, but then the Scotch banks make a charge for negotiating cheques, which is equivalent to 2 *s*. per cent., and which you do not make?—That is so.

1790. Mr. Gairdner has handed in a paper, showing that the average rate for London three months' bills in the year 1874 was 3·7 per cent; I believe that in discounting bills it is not usual to make any charge for commission over and above the discount?—No.

1791. I see that the Scotch banks, on the other hand, charge on all bills payable in Scotland 1 *s*. 3 *d*. per cent. over and above the discount, which is not usual in England, I think?—No; that is, speaking of first-class London bills.

1792. English banks do not usually make a charge for commission over and above the discount, do they?—No, not for a first-class bill of exchange.

1793. Then in comparing the rates of discount, as the Scotch banks also charge a commission, of course that would have to be allowed for?—Yes.

1794. Another point on which the Scotch banks claim to be more liberal, is that they allow an interest of, I think, 1 per cent. on current accounts, and that the English banks do not generally allow interest upon current accounts; I think that the custom in England usually is that a certain sum is placed upon deposit, is it not?—It is so in London.

1795. Supposing that a man has a balance of 1,000 *l*., on which he gets one per cent. interest, he

Sir *John Lubbock*—continued.

he gets 10 *l.* a year for his balance, does he not?—Yes.

1796. The average rate of interest allowed being one per cent. below the Bank rate, and the Bank rate being on an average 4¼ per cent., or say 4 per cent., the average rate allowed on deposit would be rather over 3 per cent., would it not?—It would.

1797. Supposing then that that man placed 500 *l.* of his 1,000 *l.* on deposit, he would get 15 *l.* for that, would he not?—Yes.

1798. Therefore, in the one case he would get 10 *l.* a year, and in the other case he would get 15 *l.* a year?—Yes.

1799. Of course, he might equally do that in Scotland; but it is clear that a mere statement that interest is allowed on current accounts does not necessarily show that a customer in Scotland is treated more liberally than in England?—No; and customers are generally very much alive to their own interests, and look after their deposit moneys very closely, and do not allow their banker to have more than he is well entitled to.

1800. Where an account is not a very active account, the calculations of interest upon the daily balance are, of course, easy; but where an account varies every day, as an active account does, to make the calculations upon the daily balance, of course, involves a certain amount of book-keeping and labour, does it not?—It does.

1801. I see that in the Scotch system, the banks negotiating documents charge a different rate, according to the distance of the town upon which a cheque is drawn; do you not think that that must be an inconvenient system with reference to the payment of accounts?—I never heard of it before, and I am surprised to hear of it.

1802. Supposing that a man at Birmingham had to pay an account, say of 15 *l.* 10 *s.* 2 *d.*, at Newcastle, he merely sends his correspondent at Newcastle a cheque for the amount, and the person in Newcastle cashes it free of any charge, and gets the exact amount, does he not?—Yes, he would cash it with his banker, and pass it to the credit of his account, if he kept one; I dare say the Newcastle banker, if the man kept no account there, would make a charge.

1803. On the other hand, if you had to pay a bill at a distant town in Scotland, you would have to make a calculation as to what amount you would have to add on to the bill to make up the banker's commission, and we should consider in England that that would be a very inconvenient arrangement, should we not?—Very inconvenient, indeed; I have never heard of it before, because we do all our business in Scotland through agents, and we are not subjected to that kind of thing, except the arranged charge for commission with them.

1804. Do you not think that the English commercial public would find such an arrangement as that very inconvenient?—They would not stand it for a day, I believe.

1805. I believe that it was the case some years ago that some of the country banks did charge a commission on the payment of cheques in London?—It may have been so, but I cannot say.

1806. But that was found to be so inconvenient that it was practically abandoned?—Yes, our commissions are all charges on account.

1807. Mr. Gairdner was asked this question, at No. 1335: "I believe the London joint stock banks make a charge for keeping an account,

Sir *John Lubbock*—continued.

whereas the Scotch banks make no such charge?" to which he replied, "I am not aware that the London joint stock banks do make a charge, the private bankers in London do, I believe"; I think you are prepared to say that the system is the same in both cases?—The system is the same in both classes of business. We do not make any charge for a good account. On some small accounts, if they do not keep a fair creditor balance, we make a small charge, but these cases are very few.

1808. In fact, Mr. Gairdner spoke under a misapprehension?—Yes, I believe there is no difference whatever between the leading joint stock banks and the private banks in their mode of conducting business.

Mr. *Anderson.*

1809. (To Mr. *Wade*). Do you represent an issuing or a non-issuing bank?—A non-issuing bank; a bank that has given up its issue.

1810. Do you consider that the interest of non-issuing and of issuing banks in England are the same on this question?—I think so, in different degrees; I think that it is a greater hardship against the non-issuing banks than it is against the issuing banks; but I think that there is still a hardship against the issuing banks, the privileges of Scotch issuing banks being greater than the privileges of the English issuing banks.

1811. You mean that the English non-issuing banks suffer most by that rivalry, do you?—Yes.

1812. And you think that either the Scotch banks, if they desire to do business in England, ought to give up their power of issue, or that the English banks ought to have the same privileges extended to them?—I do.

1813. Which of those two alternatives do you prefer?—I stated a short time ago that I was not prepared to state which alternative I should prefer without a good deal of consideration.

1814. You have not already given that subject any consideration?—No. If the two were offered to me, of course then I should be able to select one of them, but I should have to think over it.

1815. Did you not consider it before you gave up your own issue?—No. We had nothing offered to us when we gave up our own issue. There was no alternative; it was either giving it up or not opening the business in London.

1816. You gave it up for the purpose of coming to London?—We gave it up for the purpose of coming to London.

1817. And you think that the Scotch banks ought to give up their issues if they come to London also?—We think so; we think that if they come to England at all they ought to give them up.

1818. You have heard the story of the fox that had lost his tail, I suppose?—We do not look at it quite in that light.

1819. You say that one of the disadvantages is, that an English bank could not go into Scotland and do business, without using Scotch notes?—Yes, that is so.

1820. And you said that that would be a benefit to one of its rivals?—I should think so.

1821. Will you explain how?—We should be advertising the name of the bank, to begin with. If we went to Scotland, we should have to go to one of the existing Scotch banks for notes to

Mr. *Wade* and Mr. *Atkinson*.

31 May 1875.

Mr. *Anderson*—continued.

carry on our own business with, and, of course, the more we circulated their notes, the more we should be advertising that particular bank; and I think the customers would naturally think that they had better deal with that bank itself rather than come to us to get their notes.

1822. Would the advertising of that bank make it better known in Scotland?—I should think the more the notes of a bank are circulated, the more the bank is known, and the larger its business appears, and the greater prestige it obtains.

1823. You would not be giving any direct profit to that bank on its issue, I suppose?—We think we should. It would increase their issues, and we believe that there is a profit to be derived from those issues.

1824. Is there a profit to be derived from issue that is based upon gold?—In this case I believe there is, because they must hold gold whether they have an issue beyond their authorised amount, or not.

1825. Is it not the case that their issue is already more than double their authorised limit?—Yes.

1826. And, therefore, is not the whole of the profit that they can derive directly in interest on their issues, exhausted?—I do not think that is clear.

1827. Would not that objection equally apply to a bank using Bank of England notes?—I think not.

1828. Would not that be advertising the Bank of England in the same way?—I explained a short time ago, that according to my view of the subject, the Bank of England does not occupy the same position in the race of competition in England that the Scotch banks would occupy with regard to a new bank starting in that country. The Bank of England, especially in the provinces, does not come into active competition with local banks; and then there is also this difference, that the Bank of England is looked upon in the country as a sort of national institution, and I do not think that the advertising of the Bank of England by their notes would add a single customer to their branches or to their head office.

1829. Would you like to get back your issue?—Of course we should.

1830. Do you think that you made a mistake in giving it up?—No, not for the purpose which we had in view; but, of course, when you have parted with a good thing, even though you have got an equivalent for it, if you could get the good thing back you would be very glad to get it.

1831. But do you think that on the whole you gain more by coming to London than you lost by giving up your issue?—We think it has answered our purpose, and that we were right in doing so. We think that the position of our bank required it.

1832. You complain about Scotch banks coming into England with large privileges; which of those privileges do they bring into England?—They do not bring their privileges into England, but they obtain by law practically a certain subsidy, and with that subsidy at their back they could, of course, come to England and compete with us on terms that I do not think would be fair to the English banks.

1833. Do you mean to the English banks of issue, or to the English banks not of issue?—To both in different degrees.

Mr. *Anderson*—continued.

1834. Have not the English banks of issue also a subsidy, as you call it?—To a certain extent, but not to the full extent that the Scotch banks of issue have.

1835. You said, did you not, that wherever there were Scotch branches there would be Scotch £. 1 notes circulating in England?—I think so.

1836. How do you make that out?—I think, from the nature of the case, that if there are branches of Scotch banks, we will say, spreading through the North of England, there is no doubt that the Scotch notes would come into England with drovers and other persons, and instead of at once going back into Scotland those notes would get into ordinary circulation, from the fact that the recipients of them would know that they could change them at any branch of a Scotch bank that might be established in the various towns in the neighbourhood.

1837. Do the branches of the Scotch banks change Scotch notes without commission?—That I do not know, but I should imagine so; I believe that they do.

1838. Have you read the evidence that has been given before this Committee?—Not upon that point.

1839. Do the English banks charge a commission upon changing Scotch notes?—I apprehend that they would.

1840. Would any particular harm accrue to anybody, to the public, for instance, by Scotch notes coming across the border in the way you describe?—I should look at it rather from a point of law. I have always understood that the spirit of our legislation was that there should only be Bank of England notes, and English provincial bank notes circulating in this country, and that for some good reason or other 1 *l.* notes were altogether prohibited in this country.

1841. Do you believe it to be for a good reason?—I have always failed to see the necessity for it.

1842. Then you think that there should be an issue of 1 *l.* notes in England?—That would be saying too much perhaps the other way. I have always failed to discover any very good reason why 1 *l.* notes should not be circulated in England, but to give a positive opinion that I think they ought to circulate would be going, perhaps, beyond what I should like to say.

1843. If Scotch 1 *l.* notes travel across the Border in the course of trade, does not that show that it is a convenience to trade, and therefore that to prevent it is putting a bar upon trade?—I do not think that that follows.

1844. Then do you think that they should be kept out?—Under the existing state of things I think that they ought to be kept out.

1845. Have you any idea of the extent to which Scotch 1 *l.* notes come into England?—I have not.

1846. Do they come to your bank at all?—No, we have no branch near enough to have many of them. Newcastle would be the nearest.

1847. (To Mr. *Atkinson*.) You admitted in your answer to the honourable member for Maidstone that a Scotch bank sending an English country cheque through the country clearing house lost one day?—Yes.

1848. Supposing you to be correct in that statement of yours that there is a loss of one day, is not that loss of one day a very considerable extra risk as regards the payment of that cheque?—I should think not a very material one.

1849. Might

Mr. *Anderson*—continued.

1849. Might it not make all the difference between the cheque being paid or not paid?—It has that great advantage certainly.

1850. Then, is not the reason very evident for the Scotch bankers sending the cheque direct to the bank in place of sending it through the clearing house, unless his customer authorises him to take the cheaper way?—The safe way, no doubt, is to get the customer to authorise him to do so.

1851. Is there any agreed-on scale of charges amongst the English banks?—There is none, I think.

1852. Then you could not give any complete scale of charges, such as the Scotch banks have put in?—No, we could not.

1853. It would not be authentic, in fact; it might apply to one bank but not to another?—We only deal with our own affairs.

1854. Have you any reason to suppose that your charges are very similar to others?—We believe from the increase of our business that it must be so.

1855. Would you have any objection to put in your own scale?—I should think not, if it was done by all banks throughout the kingdom. It would be impossible to do it in many cases in consequence of the very minute calculations.

1856. You do not allow any interest on current accounts, do you?—Not in London.

1857. But in the country, do you do so?—In some places the usage is to allow interest on current accounts.

1858. In your bank?—Yes, according to the practice of our neighbours.

1859. At some of the branches you do allow interest, and at some you do not?—Yes.

1860. Then you have not a uniform rule even with yourselves?—No, we have not.

1861. Then a scale of your charges would be of no value at all?—No, we could not give it to you.

1862. Do you charge in some places on current creditor accounts?—No, we take the balance in general as sufficient where we do not allow interest.

1863. Do you require them to keep a remunerative balance?—We expect a remunerative balance, but where we allow interest upon a current account we are in the habit of charging commission. I am speaking of the country.

1864. In the country at some of your branches you allow interest upon current accounts, and charge a commission for keeping those accounts?—Yes.

1865. Is that commission in the form of a lump sum?—It is a quarter or one-eighth, or whatever it may be on the aggregate transactions. I am speaking of creditor accounts.

1866. Does not that act as a great check upon transactions?—No, I should not think so.

1867. Has it no tendency to make your customers keep their money in their till in preference to paying it into the bank every day?—No, I do not think so.

1868. Do you think that they are quite content to make their aggregate larger, in order that you may make a commission upon it?—I think so; that is the usage of the trade.

1869. Would there not be a tendency for them to make their aggregate as small as possible, in order that your commission might be as small as possible?—I do not think so. We have very few branches where we are under the necessity of allowing interest upon current accounts, but there are some.

1870. And there are also some where you charge a commission upon current accounts; do you ever charge commission upon current accounts where you do not allow interest?—No; we take the creditor balance as sufficient. If it were not remunerative, then we should make some charge.

1871. I think you told the honourable Member for Maidstone that it was a great deal of trouble to calculate the daily interest. He asked you whether that was not one of the great objections to giving interest on the daily balance. Is it, practically, a trouble worth naming in this question at all to calculate the interest, or is it a matter that any bank accountant would think anything about?—Anything in the way of banking we do, when it is necessary.

Mr. *Orr-Ewing*.

1872. (To Mr. *Wade*.) You stated, I think, that you did not object to foreign banks being established in London or in England, but that you objected to Scotch banks being established in London, or in England, and you stated that your reason for that was because foreign banks did not compete with you in England in the same way as the Scotch banks do?—Yes.

1873. What kind of business do foreign banks conduct in England?—So far as I know, they have very few drawing accounts; they receive money for fixed periods at a shade higher interest than English banks. So far as I know, that is the only English business they do.

1874. Then they compete with you in obtaining deposits?—In the same way that a building society would compete with us.

1875. We are speaking of banks, and not of building societies; but I suppose that they compete with you for deposits?—Yes, they are able to offer better terms, but their deposits are for longer periods.

1876. Then the Scotch banks, I suppose, would compete with you for deposits also?—Yes, but in a different way.

1877. How do you mean in a different way?—They would take deposits at seven days' notice, or at call, in the same way as we should, and they would so come into direct competition with us; the colonial banks take money at six or 12 months' notice, I believe, which gives it the character of a more fixed investment than deposits usually assume.

Mr. *Goschen*.

1878. Do they ever keep open accounts?—A few do, I believe; but I have no special knowledge of what they do in that way.

Mr. *Orr-Ewing*.

1879. Do you consider that permanent deposits or temporary deposits are the best for a bank to have?—I would rather have permanent ones.

1880. Then the foreign banks compete with you, do they not, for the best class of your business?—No, I could not say that; they are enabled to offer a higher rate of interest than we can, because they employ their money abroad, where the rate of interest is very much higher than it is in England; we could not offer the terms that they do, and therefore we should hardly come into competition with them.

Mr. *Wade* and Mr. *Atkinson*.

31 May 1875.

Mr. *Orr-Ewing*—continued.

1881. But still, is it not the fact that they are able to offer a higher rate of interest on deposits than you are, and that in that way they come into competition with you?—They get a different class of depositors, I presume, altogether; my impression is that if there were no foreign banks at all, the money which is now deposited with them would go into investments of different kinds, such as railway stocks.

1882. At all events, it would be loanable capital for the use of the trade of the country, and if it were going into railway debentures or guaranteed stock, it would have a tendency to reduce the rate?—It might to a certain extent.

1883. Then wherein would the Scotch banks compete with you to a greater extent than the foreign banks?—I apprehend that Scotch banks coming here would compete with us for our ordinary business, which no colonial bank that I know of does.

1884. If they competed with you in lending their capital, would it be for the disadvantage of the public of England that they did so?—We believe that the banks in England can afford sufficient accommodation for the public.

1885. You speak of the injury that would accrue to the banks, but not to the public, I presume?—No doubt that would be my contention, because I represent before this Committee a bank, and not the public.

1886. Your objection is in the interest of the bank, and not of the English public?—Yes; at the same time I do not believe that the public would be any gainers by the Scotch banks coming to England.

1887. Would you not allow the English people to judge of that?—Of course it would be for them to judge; but that would be my belief.

1888. You think that it would be no advantage to the English public for the Scotch banks to come here to do business, and therefore you object to their coming?—I object to their coming, because I believe that they have certain privileges which the English banks have not, and I think it would be inequitable that they should come and compete with us unless we have equal privileges.

1889. Then you are not afraid of the competition of the Scotch banks, but you wish to make an appearance here, to obtain, if possible, the advantages that the Scotch banks have?—I have no objection at all to compete with the Scotch or any other banks if we are on equal terms.

1890. Do you consider that the Scotch banks coming to England was a breach of the law?—I should not venture to give an opinion upon the law which has puzzled so many lawyers who have studied the matter very deeply.

1891. You did oppose the Royal Bank when they came to Parliament to get a charter extending the privileges of the shareholders as to coming to England, did you not?—I did.

1892. Are you aware that the Royal Bank could have come to England, as other Scotch banks had done, but for a clause in their own charter, which restricted their business to Scotland?—That was so, I believe.

1893. Did you not threaten opposition to that Bill in Parliament unless the Royal Bank made certain concessions?—I did, speaking on behalf of the provincial banks of England.

1894. You not only appeared for your own bank, but for the country banks of England?—Yes.

1895. What concessions did you wish?—We wished them to give up that portion of their Bill which would have enabled them to open branches in the provinces of England.

1896. And to confine their operations to London?—Yes.

1897. Are you aware that we have had it given in evidence here that an eminent lawyer believes that the law is that Scotch banks have a perfect right to come to the provinces of England, but not to London?—I have seen that opinion.

1898. And therefore your opposition to that was in order to prevent their coming to the provinces where they had a right to come according to that lawyer's opinion, and to give them a right to come where he considered that they had no right to come?—According to that opinion that was so. It must be understood that I acted on that occasion as chairman of the committee of country bankers, representing, I may say, the whole of the provincial bankers of England, and that I looked at it entirely from a provincial point of view, and that I did not at any time entertain the question of London in the course which I took.

1899. Could you separate your two conditions of being chairman of the committee of provincial banks, and being manager of the National Provincial Bank in London?—That occurred, I think, some four or five years ago, when our interests in London were very small indeed. We are a very large country bank; we do not profess to be a large London bank; and representing the committee as I did, being chairman of it, I, of course, had to deal entirely with the provincial question, which I did after full correspondence with the members of the committee of which I was chairman.

1900. Was not that Bill passed in 1873?—Yes; it was more recently than I thought.

1901. Then perhaps you may be able to give the Committee some other reason?—A committee of country bankers was formed some years ago, to watch any proceeding in Parliament that they thought might affect their interests; and as I was a resident in London, they asked me to be chairman of that committee, and it was entirely as representing that particular interest that I acted on that occasion, being in correspondence with the different members of my committee throughout the country. I separated myself entirely from my London interests on that occasion.

1902. Then do you mean to convey to the Committee the idea that you neglected your duty as to the interests of your own bank in the City of London?—No, I hope not.

1903. Would you have changed your action now?—Of course if I had known all that was coming, I might have acted differently; but it is impossible to carry oneself back with one's present information for two years, and to say what one would have done under those circumstances.

1904. You stated, did you not, that one of the great privileges that the Scotch banks had, was that of unlimited issue?—Yes.

1905. Do you think that unlimited issue was of great advantage, not only to the banks of Scotland, but to the public of Scotland; that is to say, gold being held representing the excess of

Mr. *Orr-Ewing*—continued.

of authorised issue?—I understand you that the banks of Scotland having the power of unlimited issue, you ask me whether I think that that is a great advantage.

1906. To the banks and to the public?—I have no doubt that the public do derive benefit from it.

1907. Would you, as a matter of policy, withdraw that privilege of unlimited issue upon the basis of gold from the banks of Scotland, or would you prefer to have it extended to the English banks?—Of course I should like it, because the greater privileges I could get for my bank the better it would be.

1908. But I am speaking not only in the interest of the banks but in the interest of the public; would it be an advantage to the English public?—I think it would, under certain conditions.

1909. Therefore I may take it that your answer is, that you would prefer that that privilege which you consider that the Scotch banks have at present should be extended to English bankers rather than that it should be withdrawn from the Scotch bankers?—I would rather not give any positive answer to that.

1910. I thought you admitted that?—Hardly.

1911. You stated, did you not, that no provision was made for filling up lapsed issues in Scotland?—Yes.

1912. Are you prepared to adhere to that on re-consideration?—I meant that there was no institution like the Bank of England that could at once fill the gap that would occur. Supposing that all the Banks in Scotland gave up their issues to-night there would be no bank paper to be circulated to-morrow legally, but in England there would be; that is my meaning.

1913. But I understood that you were speaking of one bank which, under circumstances, gave up its issue, and suggested that there was no way of filling it up?—That was not my meaning.

1914. You mean to say that if all the Scotch banks thought proper to give up their issues (which is not very likely) there is nothing in the law to provide for other issue?—Yes, that is what I meant, and that there is in England.

1915. That is a defect in the law, is it not, and not in the Scotch banks?—I say that there is such a provision in England, but not in Scotland.

1916. You stated, did you not, that the Scotch banks would issue notes in Scotland against gold held by them in their English branches?—I did not state that. I am quite aware that they must have the gold in Scotland at certain periods of the year.

1917. What rate of interest did you allow the public on their deposit receipts, say for 1874?—In London we always give 1 per cent. under Bank rate, in the country our rates vary according to the district in which the branch is situated. At the present moment, I suppose if I said that the rates were 2½ and 3 per cent., it would practically cover the mass of our deposits.

1918. Do you give a higher rate for your deposits in the provinces than you do in London?—As a rule we do.

1919. On current accounts you allow nothing, I think?—Only in certain cases. Mr. Atkinson has stated, that in certain districts it is the custom to allow something. We have to deal with all these matters according to the custom of the part of the country in which the branch is situated. It varies in every part of England, and we have of course to accommodate ourselves to the wishes of the public wherever we may find ourselves.

1920. You have no uniform rate?—We have no uniform rate.

1921. How are the rates regulated; are they regulated from the central office, or do you allow your agents in various parts of England to fix what shall be the rates upon deposits?—They are regulated from the central office.

1922. Therefore you must have a perfect knowledge of every district where a bank is, so as to state which should be the highest and which should be the lowest?—Yes.

1923. The rates are strictly regulated by the head office?—They are strictly regulated by the head office.

1924. Is no discretionary power given to the agents?—No.

1925. Is there any supervision by which you know that the rates upon which you fix, are charged?—Yes; the returns which we get every week show all those details.

1926. How is the rate of interest which you allow notified to the public?—They ask in the bank office; there is no published rate.

1927. Do you charge one rate in every locality, or do you vary it to different individuals?—There are, no doubt, in all branches exceptional circumstances and exceptional accounts, where we have to vary our rates to meet particular cases.

1928. It is a question of bargaining, is it?—It is rather that we say what we think we can afford to give our customers, and that forms the rate.

1929. Can you state what was the rate of interest allowed upon deposits for the year 1874?—I think that the answer which I have given will quite cover 1874; the 2½ and 3 per cent. would cover the great mass of our country deposits.

1930. Have you any objection to put in a paper giving such information as we have from the Scotch banks as to the amount of your deposits for 1874, the amount of interest which you paid to depositors, the amount of discount that you have charged, and other information similar to that which we have upon these subjects from the Scotch banks?—We have no objection to give any information that is in our power, but we hardly see how it is possible to make such a return as the honourable Member asks for, so accurate that it would really be of value; the rates of interest, I apprehend, it would be quite impossible to give.

1931. How does it arise that we had no difficulty in getting this information from Scotland, and that we have such difficulty in getting any information as to English banking?—My answer would be, that it is because of the great monopoly which exists in Scotland, where there are only a few gentlemen to meet and settle the banking arrangements for the whole country. In England we have a fierce competition in banking, and such is the amount of competition that the banks do not act together as to their charges to all; there is no understanding. If half-a-dozen of us could meet in a room and settle the charges for all England, then we could give the honourable Member the return for which he asks, but I should be sorry to promise that as to which I really do not see how it could be fulfilled.

Mr. *Wade* and Mr. *Atkinson.*

31 May 1875.

Mr. *Orr-Ewing*—continued.

1932. I am not asking you for these statistics as to other banks, but only with reference to yourselves; what difficulty can there be in your giving us such a return as that which I have asked you for?—I should think that it would be almost impossible to do so as to the discounts. As to the rates upon deposits, we should simply answer that the great mass of our deposits were at 2½ or 3 per cent. As to discounts, I should be glad if Mr. Atkinson could answer the question, but I should think it is simply impossible to make such a return as the honourable Member asks for.

Sir *John Lubbock.*

1933. (To Mr. *Atkinson.*) It varies from day to day, and almost from hour to hour, does it not?—It does. (Mr. *Wade.*) I have before me a map showing where our branches exist, covering the whole of England, and I do not see how it is possible to make such a return as has been asked for.

Mr. *Orr-Ewing.*

1934. But the Scotch banks have many more branches than you have?—As I said before, they have the advantage of having only eleven banks for the whole of Scotland, and they can meet and decree, I imagine, anything they like in that way.

1935. But discounts vary there as well as in England, and they publish a yearly account apart altogether from the information required by this Committee; can you state the number of depositors that you have?—Yes; I have the figures under 300*l.* and over 300*l.*

1936. Could you divide it under the same sums as we have with regard to Scotland?—I daresay we could.

1937. Will you hand in a paper divided in the same way as was done with regard to the Scotch banks?—We could do so. Under 300*l.* we have 76,094 depositors, and their deposits represent a sum of 5,307,600*l.*; above 300*l.* we have 7,871 depositors, representing a sum of 6,522,900*l.* The totals are: 83,965 depositors, and the amount which they have deposited with us is 11,830,500*l.*

Chairman.

1938. I suppose that you have not struck the averages?—No, we have not.

Mr. *Orr-Ewing.*

1939. I have before me a printed statement as to the National Provincial Bank; I thought that the deposits amounted to 22,953,000*l.*?—That represents both the deposit accounts and the balances of the current accounts; the total deposits of the bank. The numbers which I have given to you represent the deposit accounts simply.

1940. Are not the current accounts included as deposits in the Scotch accounts?—I do not know.

1941. To make it more complete it would be perhaps well if, in the return which you are going to supply, you would include the current accounts as deposits?—Yes; you have the total deposits.

1942. Can you state the per-centage on the deposit and current accounts of the expenses of management of your bank?—Yes; the per-centage of working expenses upon deposits, amounted to 1*l.* 6*s.*; if you take the working expenses upon the employment of capital reserve and deposits, it amounts to 1*l.* 3*s.* 8*d.*

Mr. *Orr-Ewing*—continued.

1943. You only represent your own bank, you say?—I only represent my own bank.

1944. You have no branch bank in Liverpool, have you?—We have no branch bank in Liverpool.

1945. Do you know anything of the banking operations in Liverpool?—I do not.

1946. Have you ever heard of the peculiar mode of conducting banking operations there?—I have not.

1947. You have not heard that merchants in Liverpool do not put their money in banks in consequence of the exorbitant charge that is made upon drawing money; but that they place their money in strong boxes in jewellers' and goldsmiths' shops?—I never heard that.

Mr. *Balfour.*

1948. I think you said that you thought that, supposing Scotch branches were opened in England, the specie which they would obtain at those branches would be used for increasing the circulation in Scotland?—I said that it might be available for that purpose.

1949. But, of course, the amount of circulation in Scotland does not depend upon the amount which the bank is disposed to issue, but upon the amount which the public is disposed to take?—Quite so.

1950. Your theory is that the Scotch banks are able, by what you call a subsidy, to compete upon unfair terms with the English banks?—That is my contention.

1951. By that, I suppose you mean that they offer more favourable terms to the public?—I think that they could do so.

1952. So that all questions which the honourable Member for Maidstone has asked you, with a view of showing that they do not offer more favourable terms to the public, would go to show that they could not compete as a matter of fact with the English banks unless they altered their terms?—I do not quite follow the honourable Member's question.

1953. There were a series of questions asked you with a view of showing that the plea put in by the Scotch banks, to the effect that their terms were better for the public, was not really valid?—I should say that they ought to be able to do it cheaper, but I have failed yet to learn from their existing charges that they would do so.

1954. In fact, you think that if they followed out their existing scale of charges in England, they would not be able to compete with you?—I still think that they would have a great advantage in doing so.

1955. Will you explain in what the advantage consists?—I say that they could work cheaper, and if they found it to be to their advantage to do so, I suppose they would do so, and compete with us.

1956. Would you fear the competition of Scotch Banks in England, supposing that the branches which they established there followed out the exact system of banking which they found in operation when they came to England?—I should object to the Scotch banks coming to England in any shape unless they lost those privileges which they have at present. I could not tell how they might work, or what would be their line of policy.

Mr. *Balfour*—continued.

1957. Have you any reason to believe that a Scotch bank offering precisely the same terms as an English bank would be able in any way to rival it unfairly?—I cannot tell upon what terms they might do business.

1958. As a matter of fact, we have it in evidence that they do business in London upon precisely the same footing as the other London banks?—I am not aware of their London terms.

1959. I understood you to say, I think, that the interest charged to borrowers was less in England than in Scotland?—I think that that must have been Mr. Atkinson's answer. I do not think that I stated that. (Mr. *Atkinson.*) I am of opinion that it is so.

1960. The Scotch banks put in as a plea for their system that they lend to a class who do not borrow to any great extent in England; that, in fact, they lend to a much larger *clientèle* of small farmers and small tradesmen?—We also do so to a very considerable extent, but we have also larger classes of business.

1961. If you lend to the same class as the Scotch banks do, would not your terms be as high as theirs?—On that particular class of business I imagine that they would be so.

1962. So that if it be true that the Scotch banks charge a higher rate of interest, it is simply because they are in the habit of lending upon less good security?—I took every class of business into account in making that statement, first class business as well as the inferior class of business.

1963. My question was whether, if you lent to the same class of people as the Scotch banks do, it would not turn out that you would have to lend at the same rate as they do, supposing their rate to be higher than yours?—I should imagine that our rate would be as high as theirs, and possibly higher, inasmuch as they have the advantage of note circulation. (Mr. *Wade.*) We should contend emphatically in answer to part of the honourable Member's question, that we do deal largely with the class you speak of, the small farmers, and the small shopkeepers, and, in fact, all classes of the community. We are under the firm persuasion that our bank has fostered the trade of the country in regard to what we may call the smaller class of the community to a very great extent indeed.

1964. You have not that system of lending on cash credit which is found so convenient in Scotland, have you?—Yes.

1965. The honourable Member for Maidstone rather implied that when the Scotch banks asserted that they were more liberal to the people who dealt with them, because they gave interest on current accounts, that plea was of no value, because, as a matter of fact, in England people were much more in the habit of putting money on deposit account than they were in Scotland; but I suppose you would allow that liberality to people who deal with you means offering conveniences, and, therefore, of course the conveniences are greater in Scotland, as shown by the fact that people are ready to accept smaller interest on current account rather than a larger interest upon deposit account?—My answer would be that we try to accommodate our customers in every possible way, in putting a portion of their balance on deposit, or treating their account in any way, so long as the bank receives a fair remuneration for the trouble it is at in conducting the account.

Mr. *Balfour*—continued.

1966. The thing I cannot quite understand in your point of view is, how the privileges of the Scotch banks do actually enable them to compete with you supposing that they offer the same terms?—My contention would be narrowed to this: that I object, as a matter of principle, to a fresh class of banks, with what I conceive to be a Government subsidy at their back in their own country, coming to compete with us; how they might conduct that business of course it is impossible for me to say; I should rather limit my contention to the fact that they are highly subsidised, and that we, the English bankers, were under the impression that we should never have them to compete with, and suddenly we find that we are in competition with them, and therefore we object to their coming to England with the subsidy at their back which we think they possess.

1967. Supposing that in a provincial town there was an opposition started of a new joint stock bank, or of a Scotch bank, have you any reason to believe that the rivalry of the one would be more dangerous than the rivalry of the other?—We think so; we are exposed to competition with old banks and new banks, banks of issue, private banks, limited banks, and banks of all sorts, in almost every town in which we are, and we have not the slightest objection to that.

1968. Then surely you would be able to show categorically how it came about that you were more afraid of the Scotch rivalry in this particular case that I have supposed than of the English?—I am afraid that I can only repeat that we object to facing a competition with a highly subsidised bank, which we were under the impression that we should never be called upon to meet.

1969. It is rather a theoretical objection in fact than a practical one?—We think that it is a very practical one.

Mr. *William Shaw.*

1970. You speak of the spirit of the Acts of 1844 and 1845, as being against the Scotch banks coming out of Scotland?—I do.

1971. I suppose that that implies that you think there is nothing in the letter of those Acts very positive upon the subject?—From all the information which we can get, the letter seems very doubtful.

1972. Do you not think that if Parliament intended to limit these banks to their different countries, something more positive would have been put at the time into some of those Acts?—My view is, that it was a simple omission; that it was never contemplated, and that it never entered into Sir Robert Peel's mind at the time that such would be the case.

1973. You believe that he did not think that it was possible?—That is my belief.

1974. But at the time there were two Irish banks with their head offices in London, which might any day commence business in England?—But they had not done so. We had an agency in London, and there was nothing in the law to prevent a bank having a head office in London for strictly agency business.

1975. But still it was quite enough to suggest the thing to Sir Robert Peel, was it not?—I of course may be wrong in my assumption, but that is my belief.

1976. There is a provision for compensation, I believe, to English banks on giving up their issues?

Mr. *Wade* and Mr. *Atkinson*.

31 May 1875.

Mr. *William Shaw*—continued.

issues?—There is; but, unhappily, English banks do not always get it; it is optional.

1977. And the Bank of England are authorised to make an additional issue to meet the requirements so caused?—They are.

1978. But there is no such provision in Scotland for a bank giving up its issue there, is there?—There is no such arrangement.

1979. Is there anything to prevent an English provincial bank going to Scotland or Ireland and opening business there?—Nothing but the impossibility of their carrying on business successfully in consequence of the privileges of Scotch banks; there is no legal impediment.

1980. But you think that there is a legal impediment to the Scotch or Irish banks coming to London?—I think so.

1981. So that you could have gone to Dublin with your issue, and you could not have come to London with your issue?—So far as I understand it, that seems to be the state of the law, but I could not give any opinion upon the law.

1982. The Bank of Ireland was protected up to a certain time by exactly the same law as the Bank of England, so that the law seems very confused upon the subject, does it not?—Very.

1983. Have you put out many branches since you lost your issue?—I suppose that we have put out between 20 and 30 branches.

1984. But your branches, as a fact, have been nurtured by the issue which you had?—They were in the earlier days, very materially.

1985. And you find it much more difficult to put out new branches now, I presume?—We cannot say that we should hesitate, because we have not our issue, to put out a branch if we thought it to our interest, and the interest of the district to put out one.

1986. You have purchased banks, I believe, since that time?—We have.

1987. How many have you purchased?—Twenty-one.

1988. Twenty-one out of something over 30?—Those are the banks that have been purchased since the foundation of the bank, not since we gave up our issue.

1989. How many have you purchased since you gave up your issue?—Two.

1990. Do you think that there is any great reason to dread this competition of Scotch banks in London?—We think so.

1991. With their large Scotch business and their limited capital, do you think that they can enter very extensively into competition with you for commercial business?—We think so; but we plant our whole case upon the want of equity in the arrangement, and we think also that it would be very hard that they should be able to come to London to transact even their proper business, while we, an English bank, were obliged to forfeit our issues to enable us to do so.

1992. Are there not some compensating advantages to you; they have their issues in Scotland; but you in London have immense advantages; being in London, you have your nearness to the Bank of England, and your means of lending money at a moment's notice, almost, have you not?—We had all that before; we had the power of lending our surplus funds. When our head office was in London, we could deal with our surplus funds just in the same way as we do now.

1993. So that you think you have no advantages which would counterbalance their privileges?—No.

Mr. *William Shaw*—continued.

1994. They have no directorate, I believe, in London?—I believe not.

1995. They are entirely a branch?—They are entirely a branch.

1996. So that they cannot act very promptly in matters of large business?—It depends upon their internal arrangements, of which I have no knowledge.

1997. Your rate for business varies all through England, I believe?—All through England.

1998. You get as much as you can?—We get, of course, what we believe to be remuneration for the business which we do.

1999. I suppose it would be quite impossible in England to make any one rate?—Quite impossible.

Mr. *Leveson Gower*.

2000. I understood you to say that the establishment in England of branches of banks having issues in Scotland, would necessarily be followed by the circulation of Scotch notes in England?—We think it highly probable.

2001. How do you account for the fact that the National Bank of Ireland, which is a bank of issue, and has had for some time a branch in London, does not circulate its notes in England?—I do not think the cases are parallel. I was referring in that answer specially to the branches in Cumberland. I do not think there would be the same chance of Scotch notes circulating in London as there would be in the provinces.

2002. You think that they would merely circulate on the borders of Scotland?—I think they would circulate in any part of England where Scotch branches were established.

2003. Supposing that a Scotch branch were established in Devonshire, why should they circulate there more than in London?—There is a feeling in London that they like Bank of England paper, and I think it would take a long time in London to establish any other circulation; but I think it would be quite possible that after a lapse of time there might be a circulation even in London.

2004. But there would be no difference between them and the Irish notes; and although for a long time Irish banks of issue have had branches in London, yet time has not caused the circulation of their notes?—There is only one Irish bank of issue in London.

2005. But that is one of the most important banks in the United Kingdom, is it not?—It is a very important bank.

2006. Would you not think that if any bank of issue could get its notes circulated, it would be the National Bank of Ireland?—My contention is much more with regard to the circulation in the country than in London.

2007. Would there not be greater distrust of Scotch notes in a retired part of the country than there would be in a centre of industry, such as London?—I think not; where there were branches of Scotch banks established, and where they could easily get the notes changed.

2008. I think you said that the fact of the number of the banks in Scotland diminishing since 1844 was evidence that the existing banks enjoy a practical monopoly?—I think it is an evidence of it.

2009. Then how do you account for the fact that previously to 1844, when there was no such monopoly, the number of banks was continually diminishing?—I cannot say how that was.

2010. Does

Mr. *Leveson Gower*—continued.

2010. Does not that destroy your inference that the diminution in the number of banks is evidence that there is a monopoly?—I think not. I judge from what has happened since 1844.

2011. But if exactly the same process happened in the absence of the monopoly, surely the fact of its taking place while the monopoly existed is no proof that it had that effect?—There might have been other influences at work which I am not aware of.

2012. Do you believe that the Scotch banks would give up their privileges in order to establish branches in England?—I could not possibly say.

2013. If they were to do so, it would be much to the detriment of the Scotch people, would it not?—I daresay it would; but I have no knowledge specially of Scotch banking.

2014. I do not think you entertain the view that the English public, apart from the banking interest, would be injured in any way by the establishment of Scotch banks in London?—I have pointed out that English creditors might find great difficulty in proceeding legally against the Scotch banks.

2015. I wish to know whether your objection to Scotch banks establishing branches in England is due to the monopoly that was established in 1844?—It is due to the greater privileges which I have endeavoured to set forth, which I think they possess over the English banks. That is my sole contention.

2016. Is it due to the monopoly that they enjoy?—I think the monopoly no doubt strengthens their position very much.

2017. Supposing that the free system of banking, which existed before 1844 in Scotland, were now in existence, would you object to their establishing branches in England?—Yes, if in those days they had greater privileges than the English banks, I should still object.

2018. Then it is not solely on the ground of their having a monopoly that you object to their having branches in England?—On both grounds; I think that the monopoly strengthens their privileges; they are able to act as one bank, and competition is impossible, according to my view, from any new source.

2019. Then I may take it that it is because you think that the Scotch banks have a subsidy from the Government that you object to their coming in competition with yourselves?—That is so.

2020. Would it not be logical to prevent the employment of their capital in any other way in England?—Of course, as I have stated, I look at it simply as a banker, and I am hardly prepared to argue the point that you put to me.

2021. You do not see any reason why any other person with whom their capital would come into competition, might not object to it because of their subsidy, in one case more than the other?—No, I should have thought not, but I rather confine it to the banking interest.

Mr. *Kavanagh*.

2022. I want to know what is the meaning of the Scotch banks being subsidised by the Government?—Having privileges of note issue, which they derive from Parliament; I look upon that as equal to a subsidy, and that their subsidy in that way is greater than is enjoyed by any English bank.

Mr. *Kavanagh*—continued.

2023. You said that you objected to Scotch banks coming to England on the ground of equity, if, I understood aright, as being subsidised by Parliament; and you explain that subsidy to mean the right of issue?—Yes.

2024. But if they come to England they would not bring their issues with them?—But they would have the profits which they derive from their issues in Scotland as part of their whole profit, and, of course, it might enable them to compete with us upon very unfair terms.

2025. That is because their business in Scotland was a flourishing one?—Partly so, and partly from the privileges which they enjoy.

2026. Is it more unjust for the Scotch banks to come to England, than for the National Bank of Ireland, which has an office in England, and which is a Bank of Issue in Ireland, to come to England?—The National Bank of Ireland is in very much the same position, no doubt; the only difference that I know of is, that the National Bank is an English bank, and was founded in England, with its head office and its Board of Directors in England; but otherwise I believe they are just in the same position.

2027. But so far as the principle of equity goes between bank and bank, you would say that the position was the same?—I would.

2028. I think Mr. Gairdner, in his evidence, in contrasting English with Scotch profits, stated that English profits were 17 *s.* 5 *d.* per cent. higher than Scotch profits, and that that amount calculated upon English deposits, would show a sum of 1,125,000 *l.* per annum, which he contended, if the Scotch system were adopted in England, might be given for the benefit of the public; can you follow that contention?—Our profits do not show that result; I will read you, if you please, what our profits were last year; taking capital reserve and deposits together, our net profits amounted to 1 *l.* 6 *s.* 8 *d.* upon the whole; but if we take it as the gentlemen representing the Scotch banks took it, deducting 4 per cent. upon our capital and reserve, the net profit on the deposits amounted to 1 *l.* 1 *s.* 5 *d.*, which I think is not far off the result of some of the Scotch banks.

2029. Then you do not think that there is a difference of 17 *s.* 5 *d.* per cent. between the English profit and the Scotch profit?—It certainly is not so with us.

2030. I suppose you hardly admit that there is this large sum of 1,125,000 *l.* which, by the adoption of the Scotch system would be given to the public?—I am unable to follow it.

2031. Another argument which I think was urged in favour of the Scotch system of banking was, that the number of branches in proportion to the population in Scotland was much greater than it is in England; do you know what the proportion is in England?—I am afraid that I have no calculations to show the difference between Scotland and England in that respect.

2032. Is not the ratio of deposits to population much larger in Scotland than in England?—I could not say; I have not examined into that question.

Mr. *Backhouse*.

2033. I suppose that you would not in the least object to Scotch competition, or Irish competition, or any other competition in England, if the banking laws of the three countries were the same?—Not in the least.

Mr. *Wade* and Mr. *Atkinson*.

31 May 1875.

Mr. *Backhouse*—continued.

2034. Your objection to Scotch banks coming to England rests upon the fact that they have extensive and superior privileges to any English banks, does it not?—Entirely.

2035. You were asked by the Chancellor of the Exchequer about banks of issue holding coin against their issue; when you were a bank of issue was not the coin which you held all required for the ordinary purposes of your business, or had you any excess of coin held specially against your issue of notes?—I think we must have held it all for our ordinary business.

2036. Then, in your opinion, the 4,000,000 *l.* of coin that the Scotch banks hold is not more than as bankers they ought to hold for their deposits, totally irrespective of their issue circulation?—I think they stated that in their evidence, and I quite agree with them in what they stated.

2037. Their issue enables them, does it not, to establish their branches at much less expense than you without an issue can establish branches in England because of the necessity of keeping till money?—Undoubtedly.

2038. And that is one cause of their having such numerous branches in Scotland, is it not?—I should think so.

2039. In addition to the other charges which an English bank may have, have they not to keep a large amount of coin on hand in large manufacturing places to meet the weekly wages?—Yes.

2040. That is a considerable expense, is it not?—It is a very great expense.

2041. And is it not a very legitimate subject for commission to those parties who keep that coin?—It is.

2042. (To Mr. *Atkinson*). Do you ever charge a commission on the payment of any cheque on yourselves, when it is presented to you by another bank for payment through London?—No.

2043. Do you ever charge a commission to any Scotch bank that sends you a cheque for payment through London?—I should think not upon ourselves, but I am not very positive upon the subject; if it were a cheque upon another bank sent to us, or a bill payable at another bank, I think we should.

2044. You have an arrangement, I think you said, with some Scotch banks to do all your business?—Yes, we have several agents.

2045. In addition to the fixed commission which you pay them, do they never make you any charge for collecting the cheques, according to a scale regulated by the distance?—No, I have not met with any case, and I am not aware of any case; it is all regulated by the fixed rate.

2046. When you were an issuing bank, you could never issue to the limit of your authorised amount, I presume?—We were bound by law not to exceed the authorised limit.

2047. In order to keep within the law, you virtually had to keep your issue within about 10 per cent. of your authorised limit, I suppose?—It would be about that.

2048. The Scotch Banks, on the contrary, owing to the power of issuing on gold, can at all times issue to the full extent of their authorised limit, can they not?—Undoubtedly.

2049. (To Mr. *Wade*) With regard to your profits, I think you stated, in answer to the honourable Member for Carlow, that they were 1 *l.* 1 *s.* 5 *d.* net?—Yes.

Mr. *Backhouse*—continued.

2050. Of course, any calculation of this description is without a great many limits which are necessary to make it any true test of the profits, is it not?—I think it is a pretty close estimate. (Mr. *Atkinson.*) I should think so.

2051. (To Mr. *Wade.*) On the same test as the Scotch Banks have adopted your net profits are 1 *l.* 1 *s.* 5 *d.* per cent. upon the deposits against their 1 *l.* 1 *s.* 11 *d.*, are they not?—That is so.

2052. Then in your opinion, having reference to the calculation which they have put in, that if the Scotch system were universally adopted in England the English public would gain 1,125,000 *l.* a year; according to your own experience, instead of there being a gain, there would be a loss to the English public of a trifle?—It would be so.

2053. (To Mr. *Atkinson.*) With regard to commission on accounts, is it not the practice to vary your commission according to the nature of the accounts, and the different expense that it is to the bank to conduct the accounts?—Yes.

2054. On a very large account where the payments are large you either agree on a fixed sum per annum or else for a lower per-centage, do you not?—That is the case.

2055. (To Mr. *Wade.*) The Scotch banks have only a fixed scale, according to the papers which they have put in, and therefore to a very large customer there is a favour given by the English banks, is there not?—Yes, that would be so, and naturally.

2056. Because there is less trouble in comparison with the amount of the account?—That is so.

2057. (To Mr. *Atkinson.*) I am now speaking of the country practice, because the London practice is different. When a full charge of commission is made on a current credit account, is it not usual to allow rather a higher rate of interest upon that account than you would according to the deposit rate of interest upon that account?—I think that, according to our practice, it would be slightly under the deposit rate.

2058. I suppose that in some cases you would adopt a low rate of interest, and charge no commission at all, where a man kept a considerable balance and only had one or two transactions in a year?—We have a great many accounts of that class where we charge no commission at all.

2059. Are there any cases in which you allow interest on the minimum monthly balance?—There is not a case of that sort, so far as I am aware.

2060. Is not the effect of allowing on the minimum monthly balance, that a man may have 10,000 *l.* to his credit during 29 days of the month, and may then draw 9,000 *l.* out, so that he will only get 30 days' interest on 1,000 *l.*, whereas he should have had 29 days' interest on 9,000 *l.*?—That would be my understanding of the result.

2061. Then practically any allowance on the scale of the minimum monthly balance is a not very profitable allowance to the customer who adopts that system, is it?—I should so consider it.

2062. Is it not the English practice to charge a discount upon bills very much in accordance with the character of the bills themselves?—Very much so.

2063. No fixed rate is possible with reference to date, but you must have reference to the character of the bill also?—That, I imagine, is the first consideration with a banker.

Mr. *Backhouse*—continued.

2064. Do you know whether, as a matter of fact, in consequence of this fixed rate which is charged by the Scotch banks, many Scotch customers are in the habit of sending their bills direct either to London or to Ireland to be discounted for them?—I can only judge from seeing such bills in the hands of brokers, and discounting them for brokers ourselves; I have seen such bills.

2065. From the bills which you obtain through brokers, you see that many Scotch tradesmen discount direct in London?—Yes, we see them occasionally.

2066. (To Mr. *Wade*.) With regard to Irish notes circulating in London, has not the Channel a great effect in stopping Irish notes from coming across?—Undoubtedly.

2067. Any probability of any considerable circulation of Scotch notes in England, owing to Scotch banks establishing branches in England, would refer much more to the northern countries, would it not, in consequence of the free intercourse between both sides of the border?—There is no doubt of it.

2068. I think you said that you did not know, as a fact, whether there was an increased circulation of Scotch notes on the border?—I do not know it for a fact, but I believe that is so.

2069. I think you said in answer to Mr. Chancellor of the Exchequer, that the natural advantages of the Scotch banks could be counteracted by legislation. I take it that you did not mean that they should be deprived of any natural advantages which they possess in respect of legislation, but that you do not think that they should have any advantage by legislation, and should then come and compete with the English banks?—That was, of course, my meaning.

2070. On the whole, then, you believe that the English system of banking is no more expensive to the public than the Scotch system, and that both are conducted with regard to competition on a very fair scale of advantage to the public?—I think so.

2071. And that every facility is given by the English banks to the public?—I believe so.

2072. And you yourselves find that it is better to adapt your system of banking to the customs of the different districts than lay down a uniform scale to apply to all your branches?—No doubt it is to our interest to do so.

2073. There is no uniform scale adopted in England, is there?—No, none that I know of.

2074. It is left to every bank to make the best arrangement that they can with their customers?—That is the custom.

2075. And those prices are varied, I take it, according to the manager's impression, whether money is falling or rising?—To a certain extent that is so.

2076. If you think that money is likely to be dear, you would increase the rates of your discount, whereas if you expected money to fall in value you would gladly take bills at a little lower rate?—That, no doubt, would be so.

2077. Would you make a difference in the rates allowed on deposits, whether the money was left for a fixed time, or whether it was left at call?—We should give a shade more for fixed deposits.

2078. What do you understand by the "Scotch system"?—I really do not understand what the Scotch system of banking is, as different from ours; I have failed to find out.

Mr. *Backhouse*—continued.

2079. Do you understand that it in any way differs from the system which exists in the North of England?—I have no reason to suppose that it does.

2080. Is there not as much facility for borrowing on what are called cash credits and other accounts granted in most parts of England as there is in Scotland?—I should think quite as much.

2081. In fact, the principle upon which banking is conducted in both countries is very much alike, is it not?—I should imagine that the principles are identical.

2082. The same system is also adopted of allowing interest *de die in diem* in parts of England on current accounts, is it not?—Yes.

2083. With regard to the trouble of calculating interest, it only means that there is a certain larger staff required, and it is a mere question of clerks' labour, I presume?—It merely means that it involves a certain amount of additional labour; but labour is a thing which we do not think very much about.

Mr. *Hussey Vivian*.

2084. In regard to what you have called the subsidy of the Scotch banks, that can be measured, can it not, by the actual profit which has been estimated to arise from the legislative enactments in favour of Scotch banks?—Yes.

2085. In Question 1075 it was estimated at 159,448 *l.* per annum, that, on a capital of 9,600,000 *l.* would be rather more than 1½ per cent., would it?—I should think it would be about that.

2086. So that the Scotch banks coming into competition with a bank not enjoying those legislative privileges, would have a benefit of 1½ per cent. to start with?—According to that calculation it would.

2087. So that the competition would be to that extent an unfair one?—We think so. We believe that the profits on the circulation would be considerably higher than 159,000 *l.* a year.

2088. But that was estimated as the actual figure in money at least; it is a question whether more ought not to be added to that; but there can be no doubt that that is the minimum?—We should look upon that as the minimum.

2089. So that a Scotch bank would start with 1½ per cent. in hand, in competition with an English bank?—That is our contention.

2090. You said, did you not, that in your judgment it would be impossible for an English bank to go to Scotland and compete with Scotch banks?—Practically, I think so.

2091. Supposing that the English bank in going to Scotland were allowed the same legislative advantages that the Scotch bank is allowed, would it then be possible?—I suppose that it would be if they were started even.

2092. That is to say, supposing that the English bank on its opening a branch in Scotland were permitted to issue 1 *l.* notes against gold held by it?—Yes.

2093. If such legislation were passed, would you think that it would be fair for Scotch banks to come to England?—I think that it would be much better to restrain each set of banks to their own country. The Scotch banks are altogether formed of Scotch proprietors and Scotch directors, and an English bank going there with an English directorate, we will say in London, and English shareholders, would hardly have the same influence

Mr. *Wade* and Mr. *Atkinson.*

31 May 1875.

Mr. *Hussey Vivian*—continued.

or the same chance of business as the Scotch bank which is purely Scotch.

2094. So that it would be, in practice, a colorable advantage only?—Yes.

2095. What difference would there be?—I think that the difference would be this: that I should imagine that there are not many English commercial firms settled in Scotland, and I believe that there are a great many Scotch firms settled in London, so that I do not think that even then the conditions would be equal.

2096. I do not think that you clearly stated whether you thought that it would be desirable to revert to the old principle of allowing English banks to issue upon the same principle as the Scotch banks?—I have stated several times that it is a question of so much importance that I should rather shrink from giving a definite and decided opinion upon it.

2097. I presume that all English banks have some reserves of gold?—All, I should imagine.

2098. And in your judgment the reserves of gold would not be increased, even if they were allowed to issue notes against gold?—I should think that is very doubtful indeed.

2099. In point of fact you consider that the law which permits the issue of notes against gold in Scotland really permits that issue irrespectively of the gold?—It practically comes to that.

2100. What relation, in your judgment, should the reserve of gold bear to the liabilities in a well-conducted bank?—I suppose that you would include cash in hand at the Bank of England, and at branches, at call, and so forth. Ours on the 31st of December amounted to 4,168,222 *l.*

Mr. *Orr-Ewing.*

2101. Is that bullion?—That is cash in hand at the Bank of England, and at branches, at call, and at short notice with the brokers.

2102. But what bullion had you?—I am afraid that we have nothing here which will show the actual bullion.

Mr. *Stephen Cave.*

2103. (To Mr. *Atkinson.*) You reckon the Bank of England notes, of course, as bullion?—Yes; it would be about 1,200,000 *l.* on the 31st of December. That was gold, Bank of England notes, silver, and the notes of other banks held for the day.

Mr. *Orr-Ewing.*

2104. In all your branches?—Yes.

2105. How many notes had you?—I have not a return of that.

Mr. *Hussey Vivian.*

2106. As against what liabilities?—As against very nearly 23,000,000 *l.*

2107. Of liabilities beyond capital?—Yes; liabilities to the public; but then we should explain that we should look upon our balance at the Bank of England, for instance, and the money which we had at the brokers at call as cash.

2108. I am endeavouring to compare the actual condition of things in Scotland with the actual conditions in your bank, which is not a bank of issue; you had 1,200,000 *l.* of bullion against 23,000,000 *l.* of liabilities?—Yes, that was practically bullion, because the Bank of England note is a legal tender; but we ought to state very clearly that that is the actual money in the tills of the bank. That is exclusive of the

Mr. *Hussey Vivian*—continued.

balance at the Bank of England, and of the money that we had at call with brokers and others, and of a large amount of Government and other first-class securities.

Mr. *Stephen Cave.*

2109. Those are your reserves beyond what you want for the daily working of the bank?—Yes.

Mr. *Hussey-Vivian.*

2110. That would be somewhere about 5 per cent, would it not?—Yes.

2111. I think that the bullion held by the Scotch banks represents about 4·37 per cent. upon their liabilities, their net liabilities being 91,000,000 *l.*, and the gold which they hold being 4,000,000 *l.*, as against your bullion of something like 5 per cent.?—Yes. I gave you the deposits without the acceptances; the acceptances are 1,000,000 *l.* more. If we stated it at 24,000,000 *l.* it would be as nearly that amount as possible.

Mr. *Orr-Ewing.*

2112. Will you kindly state the exact amount of bullion?—We have no return from which to give it exactly, but at that date it was about 1,200,000 *l.*

2113. It is an estimate?—It is.

2114. And it includes Bank of England notes?—It includes Bank of England notes, but not our balance at the Bank of England or at the brokers.

2115. What amount of Bank of England notes do you calculate that you had?—I am afraid that we have not got that.

2116. Would you have 25 per cent.?—I should like to answer that question accurately, but I am not able to give the precise proportion.

2117. We are to understand that this is an entirely estimated amount of bullion that you had?—It is from a return.

2118. And you consider Bank of England notes the same as bullion?—Quite so.

2119. (To Mr. *Wade.*) Are estimated returns of any value?—We can hardly call this an estimate. It is more a question of memory. We know pretty nearly what we generally hold, and it is something like 1,200,000 *l.* We should not like to say that that was the precise amount, but that was about the amount.

2120. Will you give a return of the exact amount of bullion and of Bank of England notes that you had?—Yes.

Mr. *Hussey Vivian.*

2121. Then your bullion and Bank of England notes amounted to as nearly as possible 5 per cent. upon your total liabilities?—That would be so.

2122. Whereas, according to the Scotch returns, the bullion held by the Scotch banks is about 4·37 per cent. upon their total liabilities?—That would be so.

2123.—Can you state what proportion of your deposits are at call, and what proportion are for fixed periods?—They are nearly all at seven days' notice, speaking roundly. The amount of deposits at six months, or three months, or anything of that sort, forms a very small portion indeed of the whole. We had 11,830,500 *l.* on deposit receipt, and the balance is on current accounts. That would be something like 11,000,000 *l.*

Mr. *Hussey Vivian*—continued.

1 1,000,000 *l.* due on current accounts, and 1 1,800,000 *l.* on deposit receipts.

2124. The current accounts are liable to be withdrawn at any time, are they not?—Yes.

2125. But the deposit is generally at seven days?—Yes.

2126. And there is very little of it at longer call than seven days, I presume?—A very small proportion. (Mr. *Atkinson.*) There is a good deal at 14 and 21 days' notice, according to the locality. (Mr. *Wade.*) I referred to longer periods; three months, or six months, or anything of that sort.

Mr. *Balfour.*

2127. (To Mr. *Atkinson.*) Are your deposit receipts never at call?—They may be in some localities. Deposit accounts are at call.

Mr. *Hussey Vivian.*

2128. (To Mr. *Wade.*) What proportion of your total assets do you consider it prudent to lend for discount purposes as compared to other securities, including discount of bills and loans to brokers?—I could best answer that question by reading our balance-sheet.

2129. Is the balance-sheet published?—Yes; we will put it in.

2130. I am endeavouring to compare the system of Scotch banking with the system of English banking. We have had returns from the Scotch banks showing the mode in which the whole of their capital is disposed of?—We might state roughly that we lend to customers; either in the shape of loans or of discounts, about 13,000,000 *l.*, excluding brokers' discounts, and all that sort of thing.

Mr. *Orr Ewing.*

2131. But including brokers' discounts, what is the amount?—According to the date at which this was taken, the amount was 15,600,000 *l.*

2132 And your dividend last year was how much?—Our dividend last year was 23 per cent. upon our capital, which the honourable Member will see was only 1,378,256 *l.*

Mr. *Hussey Vivian.*

2133. Deducting the 4 per cent. which was deducted by the Scotch banks, so as to state the account in the same way as the Scotch banks stated it, what would be the amount of profit upon capital and reserves?—I think that it might be taken at 16 per cent.

2134. So that your profit, stated in the same way as the Scotch profit last year, was about 16 per cent.?—Yes.

2135. Calculating it upon the capital alone, of course it would be more?—Undoubtedly it would.

2136. Do you think that any great advantage accrues to the public in Scotland from what is called the draining of the country of its savings?—I should have thought that it was hardly to the advantage of the country to be too much drained of its deposits by banks, and that a certain portion of them might be very usefully employed in promoting local objects.

2137. Do you think that a large amount of the savings are locally invested?—They are so in England very largely.

2138. Do you think that that is a proof of want of thrift on the part of the English public?—No, I should look at it in the other way, for the amount of savings so used are largely employed in building societies, by which means the working classes, at last, own the houses in which they live.

Mr. *Hussey Vivian*—continued.

2139. And are those savings invested in local improvements?—They are employed locally; they are invested in gas companies, and so on.

2140. Then you do not think that a great benefit would accrue by the adoption of any banking system which would tend to increase the deposit in banks?—No; I think that there is a limit to that.

2141. You were asked whether you had not seen a lawyer's opinion in favour of the legality of the Scotch banks opening branches throughout England; but you have also seen, have you not, equally good opinions to the contrary effect?—I have.

Chairman.

2142. In how many out of the 52 counties of England and Wales has the National Provincial Bank branches?—It has branches in 40 counties.

2143. Can you put in a map, showing the extent of its operations?—I have a map here in which every branch is marked with a red disc (*producing a map*).

2144. You stated, I think, that your scale of bank charges was not uniform, but that it varies according to the circumstances of the localities in which your branches are placed?—It is so.

2145. Your operations, therefore, may be taken, I presume, as a very fair sample or test of the average character of banking business in the greater part of England?—We think they may.

2146. In addition to your experience as a director of this important bank, are you also acting as chairman of the committee of country bankers?—As chairman of the non-issuing section of country bankers.

2147. How long have you held that office?—A new association was formed last year, embracing the whole of the provincial bankers; it has a president at its head, and chairmen of the two different sections of the issuing and non-issuing banks. I am chairman of the non-issuing section, and Mr. Beckett Denison is chairman of the issuing section.

2148. How many banks are included in that association?—193 banks have joined the association out of nearly 300.

2149. You may therefore be able to answer with some authority a question which I should like to ask you: How far do you consider that the restrictions now placed upon issuing in England affect the business of banking in England, irrespectively of the competition of Scotch or Irish, or other banks?—Does your question apply to the affording of accommodation to the public?

2150. I wish rather to have your general opinion as to what restrictions appear to you to affect injuriously the banking business of England, and to ascertain which of those restrictions you attach the most importance?—I am afraid that I do not now quite follow the question. The non-issuing banks have no restrictions.

2151. But there is a restriction, for instance, of which you yourself have had experience, that is to say, the restriction upon issuing banks against coming to London, or the restriction upon issuing banks against increasing the number of their partners, and various other restrictions of that kind, with which, no doubt, you are familiar.

Mr. *Wade* and Mr. *Atkinson.*

31 May 1875.

Chairman—continued.

I wish to know which of those restrictions, if any of them, you think operate injuriously upon the banking system of England?—I can only speak of the one restriction which we ourselves felt in being prevented from coming to London. I think that the question generally would be better answered by some of the gentlemen representing the banks of issue who have perhaps felt the restrictions which we have almost forgotten.

2152. You were connected with the National Provincial Bank while it was a bank of issue, were you not?—Yes.

2153. Were there no other restrictions that you felt press upon you except this restriction of not coming to London?—I cannot call to mind any special restriction.

2154. I will recall your attention to the terms of the reference to this Committee. It is appointed "to consider and report upon the restrictions imposed and privileges conferred by law on bankers authorised to make and issue notes in England, Scotland, and Ireland respectively." That reference, of course, goes beyond the mere question of the Scotch and Irish competition, and I am rather anxious to know from you, as speaking with large banking experience, what you have to say upon the subject of the restrictions now imposed upon banks of issue in England?—No doubt a want of power to come to London is one restriction, and the limited issue is another; but, as I said before, I do not recollect any other that pressed upon us in our management of the business.

2155. The inability of a private bank, for instance, to extend the number of its partners would be one restriction, would it not?—Of that I have no experience in working. It did not affect our position in any way.

2156. Taking the restriction against coming to London on the one side, and setting it against the privilege of issue on the other side, are you able to give the Committee any formula by which we may appraise the relative value of the restriction and of the privilege?—It would vary in every bank according to its business. I do not think we could lay down any formula that would be applicable to all instances.

2157. When you yourselves decided upon giving up your privilege of issue in order to come to London, were you able to put a money value upon the privilege which you were giving up?—We always looked upon our issue as equal to about 1,000,000 of deposits without interest. Our issue amounted to 442,371 *l.*, and we kept most of that out. It was nearly always out, and with the value that we attached to the notes in our till as a reserve, we ourselves always looked upon it as equal to 1,000,000 *l.* That perhaps would have been rating it too high, but we might certainly regard it, speaking in more precise terms, as being worth to us a deposit, without interest, of 600,000 *l.* or 700,000 *l.*

2158. Was there any peculiarity in your case that would make your circulation more or less valuable to you than that of any other bank?—I should think there must be other banks situated in the same way. No doubt we have a great many branches in Wales where our notes were of peculiar value, and also we have some branches in very rural districts in England where the power of issue was of great advantage to us. The power of issue is of much greater use, I should imagine, in rural districts than it is in towns.

Chairman—continued.

2159. Do you consider that you have lost ground at all as against the provincial issuing bankers in your neighbourhood since you abandoned the issue?—No.

2160. How do you account for that?—The bank has gone on increasing, and it would be difficult to say why that has been so. The public have thought well of it, and have come to deal with us in larger numbers. We are able also to afford accommodation in various ways to our customers in the country, who have business in London, and so forth.

2161. Should you think it probable that you have gained by the exchange that you made?—On the whole, yes.

2162. And should you think it probable that other banks, if they made the same exchange, would gain?—I could not form any opinion upon that, not knowing the state of their business.

2163. What circumstances could you conceive that should make it an unprofitable transaction for another bank to do that which you have found to be on the whole profitable?—Unless they had a very large business, and, what is more important, a very growing business, I think the expense of a bank in London to transact their own business would outweigh any advantage that they would gain from coming to London.

2164. Even if they surrendered nothing for it?—I should think so; a London establishment is a very expensive thing.

Sir *John Lubbock.*

2165. You had already a London board, I think?—We had.

2166. And your head office was already in London?—The head office was in London.

Chairman.

2167. Therefore there was a peculiarity in your case?—No doubt.

2168. And your experience must not be taken as determining the question with regard to other banks?—I should think not.

2169. Would you say that the English banks of issue are subsidised by the State?—Using the same argument that I have before, with regard to the Scotch banks, I should say yes.

2170. Then it is a competition, not between unsubsidised and subsidised banks, so far as banks of issue are concerned, but between banks which are more or less subsidised?—Yes.

2171. Then as between the provincial banks of issue and the provincial banks of non-issue, you would say that there was a competition between subsidised and unsubsidised banks?—It is a competition, but it is a competition which we accepted in the year 1844, and we have since enlarged our capital and reserves, and so forth; in point of fact, we accepted the position of things which we believed was established at that time.

2172. Do you think that in that competition, the non-issuing banks have been unfairly overweighted, or have they been able to hold their own against the issuing banks?—I think, on the whole, they have held their own very well.

2173. Therefore, the mere fact of a bank having the privilege of issue does not necessarily give it an unfair advantage?—It does to a certain extent, but, of course, it depends upon the degree of privilege which they possess.

2174. They are subject, are they not, in consideration

Chairman—continued.

sideration of their having this privilege, to certain restrictions?—Yes.

2175. Do you think that those restrictions are what keep them back in the race with the non-issuing banks?—I could not say.

Mr. *Backhouse*.

2176. Is it not true that the privileges of the English issuing banks are of a very restricted character, and that, therefore, their power under them is very small?—I think they cannot make nearly the same use of their issues as the Scotch banks can, for the reasons which I have already given.

Chairman.

2177. Therefore, their issuing power is not really of any very great value to them?—No, I do not contend that; it is a question of degree.

2178. Supposing that the right of issue was taken away from all banks, English and Scotch, and taken entirely into the hands of the State, do you think that the English banks would gain in proportion by the change?—I think that the issuing banks would lose a very valuable privilege.

2179. But their rivals would lose one which is still more valuable, would they not?—They would lose one which is still more valuable; I look upon the principle of subsidy as the same, but the question of degree is varying.

2180. You were asked at the beginning of your examination, as to the relative advantages and disadvantages of the Scotch and English banks, and you pointed out that the Scotch banks had certain advantages which gave them an unfair superiority over the English banks; I then put to you the question, whether that inequality should be remedied by confining the Scotch banks to Scotland, or by putting the English banks on an equal footing with the Scotch banks, and you said, did you not, that you thought it would be better to confine the Scotch to their own country, and that there would not be a real equality in putting the English on a nominal footing of equality with the Scotch in their own country?—Yes; that is what I should prefer.

2181. If that is so, the advantage of the Scotch banks consists very much in their right of issue, does it not?—In their peculiar rights of issue.

2182. If then that peculiar right of issue, and of all issue was taken away from the Scotch banks, and if at the same time the right of issue was taken away from the English banks of issue, you would have an equality between the banks all over the kingdom, would you not?—Legally it would be so.

2183. Do you think that that would be advantageous or disadvantageous to the country generally, and to the English banks in particular?—I have always thought that the right of issue, especially in rural districts, was of considerable use to the districts in which it was exercised as a matter of general policy.

2184. Why?—I think that, first of all, it enables branches to be established in rural districts that never could be established if you had to supply their tills with Bank of England paper, because they can be worked cheaper.

2185. Can you measure the difference in money?—It would be very difficult, I think, to form an estimate; one could not do it off-hand, certainly.

Chairman—continued.

2186. But you still have not answered my question as to the relative advantage to the English banks and the Scotch banks of doing away with all rights of issue other than State issue throughout the kingdom?—I think that the non-issuing banks would be benefited by it, because the other banks would be reduced to our level. Of course the banks that are already possessors of privileges would lose by the transaction.

2187. Would they lose more than they would gain by the loss inflicted upon the Scotch banks?—I should think so.

Sir *John Lubbock*.

2188. The amount of loss would vary with the different banks, would it not?—No doubt, according to the particular localities in which they worked. I think I pointed out before that the country issues, so far as I understand it, are principally valuable in the rural districts, and not in the towns; therefore, if a bank was established in a large town, I do not think that the loss to that bank would be so great as to a bank which had branches in rural districts.

Chairman.

2189. But you find, do you not, that joint stock banks which have no right of issue are able to go and establish themselves in the country towns?—Yes, the field is so open in England that there is no doubt that it is so.

2190. Is the number of banks increasing in England?—Yes, decidedly so.

2191. And all the new banks are banks without the privilege of issue?—Every bank founded since 1844 has no privilege of issue.

2192. Therefore, without this privilege, the banks are able to carry on a successful competition against the privileged banks?—No doubt, under existing circumstances.

Mr. *Beckett Denison*.

2193. And the new banks are banks of limited liability, are they not?—The new banks are all, I believe, banks of limited liability.

Chairman.

2194. Does not that seem to show that if you had done away with the right of issue altogether, the country districts might be probably well served with banks?—It might be, perhaps, more so now than it would have been 40 or 50 years ago.

Mr. *Hubbard*.

2195. Of your branches, how many have been established since 1845?—I should think 30 or 40; but that would be a guess.

Chairman.

2196. The great majority of those branches were established while you were an issuing bank, were they not?—Yes; I should think two-thirds of our present number were established when we were an issuing bank, and one-third since.

2197. And you still find yourselves able to carry on the process of establishing branches, though you have lost your right of issue?—We do.

2198. In doing that, do you find that having your establishment in London is an advantage to you?—A very great advantage.

Mr. *Wade* and Mr. *Atkinson*.

31 May 1875.

Mr. *Stephen Cave*.

2199. Did not a great many country banks give up their right of issue without wishing to come to London?—Some did, and obtained compensation for it, but we got none.

2200. Why did they do that?—I cannot answer that question.

Mr. *Hubbard*.

2201. If you could separate yourself for a moment from the quality of banker, and merely look upon provincial banking as a spectator, would you say that the surrender of the privilege of issue by the different banks, and specially by your own, has placed the community at any disadvantage as regards the receipt of the banking accommodation that you are now able to offer?—It is very difficult to separate oneself from what one is.

2202. Of course, to the banker himself there is a certain pecuniary loss in giving up a valuable privilege?—I am quite sure that our customers have not suffered any disadvantage whatever.

Sir *John Lubbock*.

2203. Still, in a small place, a branch which might pay if the bank had the right of issue, might not be remunerative if it had no right of issue?—Clearly.

2204. Therefore the loss of the right of issue might just turn the scale, and make unremunerative that which had been remunerative?—It might.

2205. And therefore the tendency of taking away the right of issue would be to diminish the number of branches?—Yes; I think I ought to add that if we had relinquished our right of issue some 20 years before we did, it might have been a very different question; but when we were called upon to relinquish our issue, we had grown to be a large bank, and therefore could afford all the accommodation which was required of us.

Chairman.

2206. From your account of the working of the system of holding gold against your issues, it would seem that that really is a delusive security?—I think that it is very much so.

2207. What should you say with regard to another proposal that has been made, viz., that bankers should hold Government securities against their issue, and should place them in the hands of the Government?—We offered to do that a few years ago, before we gave up our issue. We offered to place consols or some other Government stock in the hands of the Government, and we also offered to pay a small tax of 1 *l.* 5 *s.* for the right of issue. A Bill was introduced into Parliament with those provisions.

Mr. *Anderson*.

2208. Was it a private Bill?—No; Mr. Gladstone introduced it.

Chairman.

2209. That was Mr. Gladstone's Bill of 1865?—It was.

2210. Is it within your knowledge why that Bill was rejected?—I have no accurate knowledge of the reason why it was rejected. My impression is that certain sections of the banking interest were opposed to it, and that the government were unable to carry it.

2211. There is no doubt of that; but do you know the grounds upon which it was opposed?—No.

Chairman—continued.

2212. Did you not take part in the discussions that went on at that time?—I took part in every endeavour to get the Bill passed.

2213. Are you not aware of what difficulties you were met with?—I do not think that they were difficulties of detail; it was, I think, that certain sections of the banking interest objected to any change or alteration in the arrangements that were come to in 1844.

2214. Not merely because they were changes, I suppose, but because they thought the changes would injure them in some way or another?—It is quite possible that they did so.

2215. Were you not met with arguments to show that these changes would be injurious in some particular way?—I think that there was a general feeling that it might be the beginning of large changes as regards the laws affecting Banking, and that bankers being a Conservative mass, very much preferred that things should remain as they were.

2216. Do you think that it was generally admitted at that time that the value of the right of issue could be appraised so that it might be bought up?—I do not know.

2217. Is it your opinion that it could be?—I think so.

2218. Do you attach much value to the argument that the issuing of notes acts as an advertisement to the banks?—I think that it does, decidedly.

2219. Applying that to your own case, do you think that you have lost by not advertising yourselves by means of your notes?—It would be very hard to trace an actual loss, but there is no doubt that every means of advertising anything in this country is attended with some advantage to the object which you have in view.

2220. Supposing that in a town there are two banks with the right of issue, and that one of them surrenders it, no doubt the other would have the advantage of having its name upon the notes; but supposing that all notes were swept away, what effect would the loss of the advertisement then have upon the banks?—I think that the issuing bank would lose a certain mode of making its name well known.

2221. How does a joint stock bank that comes newly into a district to compete with an issuing bank make itself known?—I suppose by advertisements in the public prints and circulars, and so forth.

2222. If there is no difficulty in that, would there be much difficulty in the private or joint stock banks, which are now issuing banks, and which have been known for at least 30 years, keeping up the knowledge of the public that they were carrying on business?—I should not contend that they would lose, but I can quite imagine that the fact of their notes circulating in the district would be attended with some advantages to them.

2223. Those advantages, however, would be much smaller, I presume, now to a bank which must by the hypothesis have been carrying on business for at least 30 years, than they would have been in the beginning?—No doubt.

Mr. *Stephen Cave*.

2224. Does the feeling still exist now in country places in favour of provincial notes as compared with Bank of England notes?—We can only speak of our own experience; we found no

Mr *Stephen Cave*—continued.

no difficulty when our notes were withdrawn from circulation.

2225. Did you find any indisposition to take Bank of England notes?—No.

2226. And the suspicion with which Bank of England notes used to be regarded in country districts, you think is dying out?—So far as our experience goes it is.

Mr. *Beckett Denison.*

2227. Does that apply to the most secluded parts of Wales?—We found no practical difficulty in withdrawing our circulation; but some few months before it was withdrawn, we used a considerable amount more of Bank of England notes with our own in those localities, and I have no doubt that the country people became used to them in that way.

2228. Some of the Scotch witnesses have told the Committee that Bank of England notes would not circulate in the Highlands of Scotland and elsewhere, and that there would be a prejudice against them; do you agree in that opinion?—They are not a legal tender, to begin with.

Mr. *Leveson Gower.*

2229. Who pays the subsidy which you say that the Scotch banks receive from the Government?—The value that the circulation gives the Scotch banks is what I call the subsidy; it is a certain amount of money which they earn upon the paper which they issue under the authority of Parliament.

2230. Then upon whom does the burden fall?—The public pays it.

2231. The English or the Scotch public?—The Scotch public.

2232. Solely the Scotch?—Solely.

Sir *John Lubbock.*

2233. An opinion has been expressed that England is what is called under banked. There are 11 banks in Scotland; will you state to the Committee how many banks there are in England?—I think that there are about 370 head offices, but I cannot state the number of branches.

2234. The English banks being so numerous, I suppose that they would certainly have a tendency to open branches wherever they thought they would pay?—There is no doubt of that.

2235. You have been asked whether, in objecting to the extension of the Scotch banks, you do so entirely in the interest of the banks or in the interest of the public, and you very naturally said that in the first instance you do so in the interest of the banks who wish for fair play; but I suppose you would maintain in the long run the extension of monopoly would be contrary to the public interest?—Yes.

2236. And therefore although it might be an advantage for the moment, in the long run it would not be an advantage to the public?—It might not prove so.

2237. I need hardly ask you whether your balance at the Bank of England carries any interest?—It carries no interest.

2238. You hold it, therefore, entirely as reserve with reference to your London business, do you not?—With reference to both the London and the country business.

2239. I suppose that as regards your London business you consider that the balance at the Bank of England is practically equivalent to so much cash?—Quite so.

Sir *John Lubbock*—continued.

2240. I suppose you would maintain that, in order to compare your reserves with your liabilities as has been done with reference to the Scotch banks you must either deduct your London deposits from the general liabilities, or else you must add the Bank of England balance to your cash reserves?—Yes.

2241. The amount of gold circulation in England is very much larger, I think, in proportion than it is in Scotland?—I have no doubt of it from all that I have heard.

2242. If the English banks were allowed to issue 1*l.* notes, they would derive from that privilege an immense advantage which they might allow the public, and in that way they would be able, would they not, to give the public greater facilities than they can at present?—Clearly so.

2243. But on the other hand, there may be other considerations which render it doubtful whether on the whole that would be for the public utility?—There may be, but I do not see exactly what they would be.

2244. (To Mr. *Atkinson.*) With reference to the country clearing, you were asked whether there was not a possible loss in consequence of the return of cheques owing to a day's delay; I believe that, as a matter of fact, the number of cheques which are returned from the country clearing, is quite infinitesimal, is it not?—It is very small.

2245. Can you remember any case in which you have incurred a loss from that cause?—Not one.

2246. I believe that the English banks almost universally use the country clearing?—I should say so.

2247. Therefore it is quite clear that the amount of loss which could arise in that way has been proved by experience to be infinitesimal?—I am not aware that there has been any loss.

2248. It is only in the case of the country banks that there is any such delay?—That is so.

2249. (To Mr. *Wade.*) The honourable Member for Glasgow asked you what are the privileges which the Scotch banks bring into England; is it not the case that the Scotch banks agree upon all their charges for commission, and that owing to the practical monopoly which the Scotch banks enjoy, an English bank has no option but to pay those charges?—I am told so.

2250. On the other hand, the Scotch banks can, through the country clearing, collect every cheque payable in England free of any charge, can they not?—I believe so.

2251. Then the monopoly enjoyed by the Scotch banks enables them to make a charge against English banks?—That appears to be so.

2252. (To Mr. *Atkinson.*) Supposing that a customer paid into the London Branch of the Bank of Scotland a cheque drawn upon an English country bank, the Bank of Scotland can collect it through the country clearing free of any charge, can it not?—Yes.

2253. On the other hand, supposing that a customer pays into any English bank, say into Messrs. Barclay's, a cheque drawn upon a bank in Scotland, the English bank has to submit to a charge by the Scotch bank, has it not?—Yes, I think so; we pay it in the account.

2254. The Scotch banks are able to insist upon that charge on account of the practical monopoly which they enjoy, are they not?—I consider so.

2255. I believe that the commission charged

Mr. *Wade* and Mr. *Atkinson*.

31 May 1875.

Sir *John Lubbock*—continued.

is 2 *s.* per cent. up to 600 *l.*, and 1 *s.* per cent. above 600 *l.*?—Yes.

2256. In your experience, I presume that an active London banking account would not bear a charge of 2 *s.* per cent., and therefore the power of making it gives a great advantage to a Scotch bank establishing itself in England?—Yes.

Mr. *Beckett Denison*.

2257. (To Mr. *Wade*.) You referred, did you not, to a proposition which your bank made in 1865 to the Government, asking to be empowered to issue notes on deposit of securities with the Government?—Yes.

2258. That fell through from causes of which we have heard; but did that particular proposition meet with specific objection on the part of the Government?—The Government brought in a Bill which would have enabled us to retain our issues upon giving them security in consols.

2259. The principle was admitted?—Quite so, in that Bill. I have the Bill here as amended.

Mr. *Hussey Vivian*.

2260. Would these securities have been hypothecated to the issue?—Yes, as I understand, they would have been available if our bank had broken down and gone into liquidation, but available for the note issue solely.

2261. Then they would have been in a different position from the bullion of the Scotch banks?—Completely different.

Mr. *Anderson*.

2262. You were asked a good many questions by the honourable Member for Carlow and the honourable Member for Darlington, about Mr. Gairdner's figures as to the profits on deposits; Mr. Gairdner showed, did he not, that the English provincial banks made a much larger profit per cent. on the deposits than the Scotch banks?—Yes.

2263. And you brought forward your figures to show that you made less, 21 *s.* 5 *d.* being, I think, your figure?—Quite so.

2264. You brought forward this to invalidate Mr. Gairdner's figures, I suppose?—I brought it forward merely to show our own rate of profit.

2265. To show that you, as an English bank, were making less than Mr. Gairdner had stated that the English provincial banks made?—Yes, generally.

2266. Did you, in calculating your profits, keep strictly separate the profits made on your provincial business from the profits made on your London business?—No.

2267. Then your figures were entirely useless, were they not, as invalidating Mr. Gairdner's statement, which applied solely to English provincial banks?—I do not think so; our London business, as I have explained, is a very small part of our operations; our main business is a country one, and I do not think that our London business would invalidate that statement to any extent.

2268. Your profits are made principally in the country, are they?—Yes; our London business is not to be thought of comparatively with the country business.

2269. Do you receive more gold in your general business from the country than you pay away?—At times we do; it depends a great deal upon the state of trade.

Mr. *Anderson*—continued.

2270. Sometimes you have to get fresh supplies of gold, I presume?—Sometimes.

2271. Where do you get it?—We must get it from the Bank of England if we cannot get it anywhere else.

2272. Do you make a charge to your customers for light gold?—No, we take in everything that comes without making any charge for light gold.

2273. Have you ever any surplus of gold that you have to send away?—Yes.

2274. Where do you send it to?—We send it to any part of the country that will use it up; sometimes we get other banks to take it.

2275. Do you never send it to the Bank of England?—We cannot send it there in large quantities; I believe that the Bank of England do not take gold at all unless it is the full weight.

2276. Then is it because it is not full weight that they would not take it?—Yes, it would be a considerable loss.

2277. Then you make no charge to your customers for light weight, but the Bank of England make a charge to you for light weight?—It would be so.

2278. That is a considerable drawback to the gold circulation, is it not?—When trade is active we have very little difficulty in getting rid of it in the manufacturing districts.

2279. Does it necessitate your sometimes keeping larger stocks of gold than you wish to have?—Sometimes it does.

2280. Whereas if the Bank of England did not charge for light weight, a good deal of that gold would go in to them, and would form part of their reserve?—It would.

2281. Then in reality there is a great deal of gold kept uselessly in the country on account of this charge for light weight by the Bank of England?—No, I did not say that. We use it up very well indeed; at some times, when there is a strike in the iron districts, or in the colliery districts, of course our gold accumulates, and we cannot use it to the same extent; but that is only at times.

2282. If it did not so accumulate, it would go back to the Bank of England, and it would appear in the Bank's weekly statement of the amount of gold, would it?—On those occasions it would, but those occasions are exceptional.

2283. Then this charge for light weight is an injury to the country, as regards the weekly statement of the Bank of England?—To a certain extent no doubt.

2284. And that injury would be got quit of, I suppose, if we had 1 *l.* notes in the place of gold?—To a great extent.

2285. I think you said that there were some compensating disadvantages in 1 *l.* notes; will you state what those are?—I never heard but two great objections to 1 *l.* notes. One was, that a large issue of 1 *l.* notes would very much facilitate forgeries, and that the classes amongst whom they would circulate would not be so likely to detect forgeries as the class that now have 5 *l.* notes in their possession; and the only other objection that I have ever heard was, that in the case of a panic, the 1 *l.* notes being held amongst that particular class of society, they would be much more likely to be panic-stricken and to cause a run upon a bank, than the holders of 5 *l.* notes would be likely to cause.

2286. Do you yourself think that the chance of forgeries of 1 *l.* notes is greater than the chance

Mr. *Anderson*—continued.

chance of bad sovereigns?—I do not myself attach much value to either objection.

2287. Then you are quite in favour of 1 *l.* notes?—I should not mind seeing them at all.

Mr. *Mulholland.*

2288. May I ask you what proportion of your discounts are in the country, and what in London?—We have no figures by which we could show you that difference.

2289. Is there a large proportion in London?—No, excepting brokers' bills. As I have stated repeatedly, our London business is a small one, and does not affect the general return considerably.

2290. It is smaller relatively in deposits, I suppose, than it is in discounts?—It is smaller altogether.

2291. Have you a considerable number of brokers' bills in these 15,000,000?—Yes.

2292. And that is a business, I suppose, which you consider you can manage better by having a house in London?—When our head office was in London formerly, we managed that business just the same as we do now. We have gained no advantage by opening for business in London as regards the transaction of that class of business.

2293. If, as was asked you lately, you include your balance at the Bank of England, along with your cash in hand, of course in comparing it with the statement of the Scotch banks, they should also get credit for the balance in hand at their London bankers?—Clearly, so far as concerns their English branches.

2294. Have you been able to form any opinion from your experience since you came to London, whether, if your right of issue had not been taken from you there would have been as much circulation of your notes within the 65 mile radius?—There could have been no issue within the 65 miles. We have very few branches that come at all near that radius. Our branches, as a rule, are more distant.

2295. Are you able to form an opinion whether the fact of your having brought your head quarters to London would have seriously influenced the circulation of your notes within the 65 mile radius?—It might to a certain extent, but it is impossible for me to form any opinion upon that.

2296. The object, of course, of preventing the location of banks of issue in London was to prevent their interfering with the action of the Bank of England upon the Exchanges?—Quite so.

2297. And I suppose that the further a district is from London the less would be the danger of any such interference?—I do not think that there would ever be much circulation of such notes in or about London.

Mr. *Orr-Ewing.*

2298. (To Mr. *Atkinson.*) You stated, did you not, that the Scotch banks from their monopoly made a charge for cheques sent from England to Scotland, which you in England did not make upon Scotch cheques coming to England?—Yes.

2299. Have you an arrangement with any bank in Scotland by which you charge the same amount to them as they charge to you?—Yes.

2300. Therefore your statement is not quite accurate, because I think that the Union Bank

Mr. *Orr-Ewing*—continued.

charges you 9 *d.* per cent.?—In my former evidence I stated very clearly that such was the case, that we had accounts with several agents.

2301. And therefore they only charge you the same as you charge them?—Quite so; but we send them 2,000,000 *l.* of cheques, &c., and possibly they send us one-third of that for all our agents together.

2302. You send them a larger amount than they send you?—Yes.

2303. But still the percentage is the same?—Yes, with our agents. As to banks, which are not our agents, my answer was given just now.

Sir *John Lubbock.*

2304. That is a special arrangement of yours, but you were speaking before of the general arrangement?—Quite so.

Mr. *Kavanagh.*

2305. (To Mr. *Wade.*) You were a bank of issue, were you not?—Yes.

2306. Did you find when you gave up your issue, that there were many lost notes that came in afterwards?—Yes; and they come in to this day now and again.

2307. Of course, if they come in they were not lost?—We cannot form an estimate yet, because they come dropping in from week to week.

Mr. *Hubbard.*

2308. Can you state what amount of your former circulation is still out?—About 12,000 *l.* out of 442,000 *l.*

Mr. *Backhouse.*

2309. Has not the use of cheques very much lessened the necessity for circulation by the medium of notes?—No doubt of it.

Sir *Graham Montgomery.*

2310. Supposing that Parliament sanctioned all note-issuing banks that now issue notes in the three kingdoms coming to London, would your bank ask to have its note issue restored to it, seeing that you have been so successful without it?—Certainly we should, as a question of equity.

Mr. *Backhouse.*

2311. Is not the amount of issue of country banks, as compared with their business, much smaller than it used to be 50 or 60 years ago?—I should think so, but I have not examined the figures.

2312. The business and the wealth of the country having so largely increased, whereas the issue of notes has not increased, the proportion must be smaller, must it not?—Yes, it must be so.

2313. You have such a varied business that you can apply your surplus gold by sending it from one branch to another, I suppose?—Yes, it entirely depends upon the state of trade in the large manufacturing districts.

2314. Have you had to call up more capital in consequence of losing your issue?—Not on account of giving up our issue; but we have increased our capital from time to time, and we shall no doubt continue to do so as our liabilities increase.

2315. Do you think it is desirable that where business is increasing, and liabilities are increas-

Mr. *Wade* and Mr. *Atkinson*.

31 May 1875.

Mr. *Backhouse*—continued.

ing, banks should have a larger capital?—I think so, most decidedly, both capital and reserves.

Mr. *Beckett Denison*.

2316. You have a great number of branches; nearly 150, I think?—One hundred and thirty-seven.

2317. Have you any objection to tell the Committee what you would consider to be the average expense of a branch?—We could hardly tell you that; we could not give you the average.

Mr. *Backhouse*.

2318. (To Mr. *Atkinson*.) If you take a small country branch it would cost you 500 *l*. a year, I suppose?—From 500 *l*. to 600 *l*., I should think; not quite so much, perhaps, for the smallest. (Mr. *Wade*.) I should put it at from 400 *l*. to 500 *l*.

2319. (To Mr. *Wade*.) Do you think that the English public, having been so long accustomed to a gold circulation, would now like to revert to 1 *l*. note circulation?—I can only judge the English by other nations, who have found no difficulty in accommodating themselves to use paper instead of coin, and, I suppose, it would come to pass in the same way in England.

Sir *John Lubbock*.

2320. Is there not a great advantage in a large circulation of coin, in case the foreign exchanges should be against us, or in case of a bad harvest?—No doubt that would be so, but, I suppose, that the 1 *l*. note circulation would not be of such magnitude as materially to interfere with that.

Mr. *Beckett Denison*.

2321. During the period that you retained your circulation, did your notes run payable at all your branches?—No, only at the branches from which they were issued, and in London they were payable at our agents.

Mr. *Backhouse*.

2322. But practically, you never refused to cash your own notes at any of those branches, I take it?—No.

Mr. *Goschen*.

2323. Do you know what estimate has been formed of the amount of sovereigns circulating in the country?—I do not.

Mr. *Beckett Denison*.

2324. At those branches at which your notes were not payable in coin had you to keep a larger amount of gold than you otherwise would have done?—No, I should think not.

Mr. *Anderson*.

2325. Did you issue the same notes over and over again?—Yes.

2326. Not like the Bank of England?—Not like the Bank of England.

Mr. *Torr*.

2327. Supposing that the Government were to decide to discontinue the issue of notes by private bankers, and to substitute Bank of England notes, do you think that the trade of the country generally would be injured by it?—No, I should think not materially; but I should be sorry to see it.

Sir *John Lubbock*.

2328. (To Mr. *Atkinson*). In answer to the honourable Member for Dumbarton, you stated your special arrangements with certain of the Scotch banks; in the answer which you gave to me, I think you were stating the general course of the business in England?—Yes.

2329. That explains the apparent contradiction between the two statements?—Yes.

Thursday, 3rd June 1875.

MEMBERS PRESENT:

Mr. Anderson.
Mr. Backhouse.
Mr. Balfour.
Mr. Stephen Cave.
Mr. Chancellor of the Exchequer.
Mr. Beckett Denison.
Mr. Orr Ewing.
Mr. Goschen.
Mr. Hubbard.
Mr. Kavanagh.
Mr. Sampson Lloyd.
Sir John Lubbock.
Mr. Graham Montgomery.
Mr. Mulholland.
Mr. William Shaw.
Mr. Hussey Vivian.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. THOMAS FITZGERALD and Mr. JAMES H. BELTON, called in; and Examined.

Chairman.

2330. (To Mr. *Fitzgerald.*) WILL you state what is your connection with the Irish banks?—I am Solicitor for the Hibernian Bank in Dublin, and I have been so for the last 10 years.

2331. (To Mr. *Belton.*) What position do you hold?—I am the General Manager of the Munster Bank.

2332. (To Mr. *Fitzgerald.*) Is the Hibernian Bank an issuing bank?—No, it is a non-issuing bank.

2333. Have you given your attention to the law affecting the Irish banks?—I have, in the first instance, as regarding the Irish banks, and I can state it very shortly; the first Act was passed in 1781: under that Act the Bank of Ireland was established, and Section 14 prohibited the establishment of any other joint stock bank of issue in Ireland. By a joint stock bank I mean a bank of over six partners; that is the definition I understand that is given to it. The law remained in that state from 1781 to 1821, the prohibition was then relaxed, and it became lawful to establish joint stock banks of issue at any place in Ireland exceeding the distance of 50 miles from Dublin, provided the members of such banks resided not less than 50 miles from Dublin; that is to say, that every shareholder should reside more than 50 miles from Dublin. In 1825 an Act was passed enabling persons resident in any part of Great Britain or Ireland to become members of such banks of issue.

2334. Did it still remain necessary that the business should be carried on 50 miles from Dublin?—Fifty miles Irish, which is equivalent to about 64 miles British. In 1828 an Act was passed prohibiting the negotiation in England of any bank note under 5 *l.* issued in Scotland or Ireland. In 1830 an Act was passed enabling the banks of issue to have agents in Dublin to pay their notes. In 1844 the Bank Charter Act was passed, and section 10 prohibited any bank from issuing notes, except such banks as were issuing notes on the 6th of May 1844, so that our non-issuing banks came within the scope of the 10th section. Then in 1845 was passed what I call the Irish Bank Act, which regulates the issue of notes on the same basis as the Act of 1844, and it authorises all the Irish banks of

Chairman—continued.

issue to establish themselves in Dublin; so that at the present moment all the Irish banks of issue may establish themselves in any part of Ireland, and carry on business, and issue their notes and pay them there. That is the whole of the statute law relating to the banks of issue in Ireland.

Mr. *Fitzgerald* and Mr. *Belton.*

3 June 1875.

2335. What is the position of the Irish banks with reference to the power of having branches in England?—According to our reading of the Act of 1826, they are entitled to do so, but that Act is surrounded by a good deal of doubt. As we understand it, the Act of 1826 enables any joint stock bank to carry on the business of bankers in England, and to issue their notes in any part of England 65 miles from London, provided that they shall not have any place of business as bankers in London; that would have entitled the Irish bankers to come to England within the meaning of that section. The Act of 1833, as I understand it, enables joint stock banks of issue to have agents in London to pay their notes for sums of not less than 5 *l.*, so that our Irish banks might have come and established themselves outside the 65 miles radius, and had agents in London to pay their notes.

2336. You are aware that an English bank of issue establishing itself in London is obliged to surrender its right of issue, but you hold that that is not the case with an Irish bank of issue?—Under the strict meaning of that Act, I think it is not.

2337. What Irish banks have established themselves in London?—The National Bank of Ireland is the only one that I am aware of. The Provincial Bank of Ireland has an office in London, and I understand that it has an agency to transact its ordinary business.

Mr. *William Shaw.*

2338. (To Mr. *Belton.*) It is not an agency, I think; it is their head office?—They do not draw or pay their drafts there.

Sir *John Lubbock.*

2339. (To Mr. *Fitzgerald.*) They do not do any business in London, I think?—I know that they have a place here, and I know that they are an Irish bank, and a well conducted one.

Mr. *Fitzgerald* and Mr. *Belton*.

3 June 1875.

Chairman.

2340. Can you draw any distinction between the position of the National Bank of Ireland and of any other issuing bank that there may be in Ireland?—No, I should say that they were the same. There is nothing in the statute-law, at all events, that makes any distinction between them.

2341. When did the National Bank come to London?—I should think about the year 1835.

2342. Before the Act of 1844, at all events?—Before the Act of 1844.

2343. Has the right of your bank to come to London, to your knowledge, ever been challenged?—Never to my knowledge.

2344. And you are not aware that any legal opinions have been taken upon the subject upon the part of the Irish banks?—None, to my knowledge.

Mr. *William Shaw.*

2345. Did the Bank of Ireland get any compensation in 1845, when they gave up their monopoly of banking 50 miles from Dublin?—There is none stated in the Act of 1845. The Bank of Ireland is now on a level with the other banks.

2346. And they got no compensation?—None; there is none stated in the Act.

2347. Have the Hibernian Bank ever had any issue?—No. When the Hibernian Bank was established in 1824 it could not legally issue notes, because it was established in Dublin. The 10th section of the Bank Charter Act of 1844 says that such banks shall never issue notes, so that the law operated rather inequitably in that way.

2348. When was the bank established?—In 1824.

2349. And you have branches, I believe?—I think that we have 34 branches, including sub-branches.

2350. You have to work those with money, and without having notes, as your competitors have?—All the banks of issue are now beside us; four of them, have established themselves in Dublin in close proximity to the Hibernian Bank.

2351. What is your subscribed capital?—£. 2,000,000.

2352. And what is the paid-up capital?—£. 500,000.

2353. You are an unlimited bank, are you not?—We are unlimited.

2354. You have purchased other banks?—We have purchased the Union Bank, which was an English bank established in Dublin, but which wished to retire about six years ago.

2355. Where are your branches?—Principally in Leinster, but they go into Ulster, too, and there are one or two in Connaught.

2356. (To Mr. *Belton.*) You are general manager, I believe, of the Munster Bank?—Yes.

2357. When was that bank established?—In 1864.

2358. What were the circumstances that originated that bank?—The merchants and traders of the south felt that they wanted such an institution generally through the country, and established the Munster Bank to supply the want.

2359. What were the principal banks then doing business in the south?—The Bank of Ireland, the Provincial Bank, and the National Bank; the Provincial and the National Banks had the principal business; they were more spread over the country and had more branches.

2360. And there was a general feeling, I think, that there was not sufficient banking accommodation for the business of the country?—Yes, there was a general feeling that there were many towns that could support a bank that had not the advantage of one.

Mr. *William Shaw*—continued.

2361. Will you mention a few of the towns that we found without banks?—I think that we opened branches in 15 or 16 towns, where there was not a bank at all before that time. We opened in Bantry, in the west of the county Cork; in Kilmallock in the county Limerick; in Caherciveen, in the county Kerry; in Kinsale, in the county Cork; in Fethard, in the county Tipperary; in Cahir, in the county Tipperary; in Kenmore, in the county Kerry; in Dunmanway, in the county Cork; in Ennistymon in the county Clare; in Mountrath, in Queen's County; in Baltinglass, in the county Wicklow; in Newmarket, in the county Cork; in Kilfinane, in the county Limerick; in Castletown, Berehaven, in the extreme west of the county Cork; in Kildysart, in the county Kerry; in Tarbert, in the county Kerry; in Tallow, in the county Waterford; in Naas, in the county Kildare, and in Dunlavin. We opened also in other towns where there were banks before.

2362. Most of those were considerable towns, were they not?—Most of them were considerable towns. In all of them, the merchants and traders of Cork had received from residents there, representations of the want of banking accommodation.

2363. And in every case we were solicited by the local business people to open a branch there?—Yes, in every instance; and we are still solicited from a great many places.

2364. Some of those towns, I believe, are towns of 5,000 or 6,000 inhabitants?—Yes.

2365. What was the general state of banking then; was there anything considerable allowed on deposits by the banks?—One-and-a-half and two per cent; I do not think that it ever went beyond 2 per cent. The Bank of Ireland did not allow interest then at all.

2366. And they had to keep their money, I believe, for three months undisturbed?—Yes.

2367. The Munster Bank commenced by allowing the London rate, I believe, on deposits generally?—Yes, generally the London rate, but not making a distinction between large and small sums; it was a uniform rate.

2368. What were the distances then between some of those towns and the bank?—Bantry was 30 miles from Skibbereen, which was the nearest bank to it; and Castletown Berehaven, where the Mining Company were, I think, was some 30 or 40 miles from it, and that company used to have to send to Skibbereen, over 60 miles, for money to pay their men.

2369. And so with Kenmare?—So with Kenmare and Caherciveen.

2370. You find great difficulty, of course, in supplying these distant places with money?—Yes, it is both risky and expensive to send notes for their requirements. The ordinary requirements possibly of a small branch are trifling; but there are periodical fairs, when there is a large sum required, and the transmission of that, of course, is attended with expense and with risk.

2371. Is there any instance that you could give us?—There was an instance within the last month of a comparatively small town in which there were only 1,327 inhabitants, and 270 houses, and

Mr. *William Shaw*—continued.

and the requirements for the fair in addition to the ordinary business were 10,000.

2372. You had to send that from Limerick, I suppose?—We had to send that from Limerick.

2373. How was that used generally, was it paid out in notes?—It was paid out in notes to the farmers and country people bringing in their pigs and cattle to be sold; a great deal of it was in cheques of the National and Provincial Banks in Waterford, and the Bank of Ireland.

2374. It would be a great advantage, of course, if you could do as your neighbours do, and keep a supply of notes, and so work your business without all that expense and trouble?—No doubt.

2375. Do you think that the competition between the issuing banks and the non-issuing banks is increasing?—I think it is decidedly increasing, owing to the extension of those banks since we were established. In many cases they have opened branches beside us in towns where there never was a bank until we went there, and they have followed us.

2376. Has there been any considerable extension of branches?—Since we went there has been a considerable extension of branches. In 1864, when the Munster Bank was established, the Bank of Ireland had only 29 branches, and they have now 49.

2377. The extension has been chiefly in the south and west of Ireland, I believe?—Yes. The Provincial Bank has not extended at all; they have the same number of branches, 43, as they had when we were established. The National Bank had 53 branches in 1864, when we were established, and they have 75 now, and a good many sub-branches, in towns where they attend weekly.

2378. And they are opening branches now in towns to which you went, are they not?—Yes. Other banks have extended as well; the northern banks have opened an increased number of branches; but that does not interfere with us, as we are not north of Dublin. The Hibernian Bank has increased its number of branches considerably, but not in Munster, with very few exceptions.

2379. The business of the country has increased, I suppose, considerably during the last 20 years?—During the last 10 years it has increased very much; the prosperity of the country, I think, has increased very much. In 1864, when we were established, the deposit in banks was 15,623,000 *l.*, and in 1874 it was 31,734,000 *l.*, showing an increase of 16,111,000 *l.*

2380. Up to that time there was hardly any inducement, was there, to depositors to put their money in banks?—A great many of them had not even the opportunity, for they lived so far from a bank, that when they got their money at a fair they were obliged to carry it home. It was too long a journey to look for a bank and deposit it there, and go for it again.

2381. So that the increase of deposits proves that the banks have been distributed, and that the people have learned to put their money into a bank and make it useful?—I have no doubt that a good deal of it comes from that; and that a great many of the deposits which we received in these remote places was money that had been lying by for a length of time, owing to the want of a place in which to deposit it.

2382. People did not understand, in fact, the use of banks in these remote districts; and, indeed they do not yet quite understand it, do they?—Indeed they do not.

Mr. *William Shaw*—continued.

2383. They are very suspicious in letting their money go out of their hands, are they not?—Just so.

2384. How many branches have you?—We have 36, and four sub-offices, which are attended once a week.

2385. Do you approve of that, as a general rule?—No. I think that the risk of carrying money backwards and forwards is too great where it becomes known that you travel once a week over certain roads.

2386. The country is fairly inhabited, is it not?—Yes.

2387. What is the paid up capital of the Munster Bank?—The subscribed capital is 1,000,000 *l.*, and there is 350,000 *l.* of that paid up.

2388. What is the reserve?—The reserve is 150,000 *l.*, and there is 20,000 *l.* of undivided profits.

2389. What are the deposits?—The deposits on current accounts are 2,400,000 *l.*

2390. Have you any statement of the number of depositors?—I have. We had at the close of our last returns in December 1874, 22,116 depositors, and I classify them thus: we have 15,761 depositors having sums of 100 *l.* and under; we have 5,043 having been 100 *l.* and 300 *l.*; we have 650 having been 500 *l.* and 1,000 *l.*; and we have 167 having over 1,000 *l.*

2391. So that in fact, the bulk of the deposits are principally small sums?—The great bulk of the deposits are in small sums.

2392. And the multiplication of branches, of course, would bring out that money more and more?—Yes, I have no doubt that there is money in many districts lying idle still, for want of any place in which to deposit it.

2393. What is the authorised issue of the Bank of Ireland and other banks?—The authorised issue of the Bank of Ireland is 3,738,428 *l.*

2394. What is their actual issue?—Their actual issue for May 2,895,675 *l.*; I have their average issue from the year 1864 downwards.

2395. On an average, I believe that they are about 1,000,000 *l.* under their authorised issue?—Scarcely as much under it, I think; in 1864 1865, 1866, and 1867, they were; but since then the average has been, I think, about 800,000 *l.* under their authorised issue.

2396. The National Bank are competitors of yours also, are they not?—Yes.

2397. What is their authorised issue?—Their authorised issue is 852,269 *l.*

2398. What is their actual issue?—Their actual issue is about 1,390,000 *l.*

2399. So that they use their powers of issuing against gold extensively?—Yes.

2400. What is the authorised issue of the Provincial Bank of Ireland?—The authorised issue of the Provincial Bank is 927,667 *l.*

2401. What is their actual issue?—Their actual issue, according to their last return, was 846,649 *l.*

2402. So that they are under their authorised issue?—Yes, they are sometimes over and sometimes under, but very little either way.

2403. And they are the principal competitors in the south, of the Munster Bank, are they not?—Yes, and the Bank of Ireland and the National Bank, I would say also, because the Provincial

Mr. *Fitzgerald* and Mr. *Belton*.

3 June 1875.

Mr. *William Shaw*—continued.

Bank, has been at a standstill since we opened; they have not opened any branch for 10 years, so far as I know.

2404. Do you think that we are labouring under a considerable hardship and disadvantage in having no issue, and therefore not being able to work as well as our competitors, as we are doing the business of the country, and supplying the wants of the country?—I do; we work at a great disadvantage, owing to the fact of having practically to work with sovereigns.

2405. The Bank of Ireland is not a banker's bank, I believe, in the same sense as the Bank of England?—No.

2406. It is a competitor of ours in almost all the business, is it not?—Yes.

2407. I suppose that there is some feeling in the minds of the people, that a bank not having notes, is rather inferior to a bank having notes, and that they have not the same confidence in it; do you think that is so?—I do not know that we have experienced any want of confidence since we started; I think our success will go to prove the reverse of that. We certainly should have advantages if we had an issue, but I do not think that the public have shown any want of confidence in us whatever, but quite the reverse.

2408. Have you any suggestion to make as to how this want could be supplied, so far as we are concerned?—I am not prepared to make a suggestion to the Commitee, but I think that the law acts unequally towards us, and I think that that is as much as I could say in the matter.

2409. Do you not think that the unused issue of the Bank of Ireland might be utilised in the way of supplying the banks that have not an issue?—It would be very useful if it could be done.

2410. Of course, if the law did it, you would have no objection?—Certainly not.

2411. But as it is, you consider that your bank and the other non-issuing banks are working under great disadvantages?—Decidedly; very great disadvantages.

2412. And increasing disadvantages?—And increasing disadvantages, owing to the number of branches that the other banks are establishing around us, and to the fact that we cannot compete with them equally.

Mr. *Stephen Cave*.

2413. The Bank of England is also a competitor with the provincial banks of England, is it not, in the same way as the Bank of Ireland is a competitor with the provincial banks in Ireland?—I presume that it is in such towns as it has branches in, but not to the same extent at all.

2414. Simply because the branches are fewer?—Yes.

2415. You use the Bank of Ireland paper, I suppose?—Yes.

2416. Do you get a commission for doing so?—No, there is no allowance whatever made to us for using their paper; we not only do that, but we retire the notes of other banks, and send them to the nearest branch of the Bank of Ireland, and have them exchanged, and take their notes.

2417. When you use the paper of the Bank of Ireland, do you deposit bullion with the Bank of Ireland to a corresponding extent?—Yes, we pay them for it.

2418. So that it is no gain for you to issue their paper?—None whatever; it is quite immaterial to us, so far as profit goes, what bank's paper we issue, but we like to keep to one issue.

Mr. *Stephen Cave*—continued.

2419. Your sub-offices you open once a week, you say?—Yes.

2420. Of course the same official goes from one place to another?—The sub-branches are opened at a distance of six, or eight, or ten miles from a branch, and the manager of that branch and a clerk go over one day a week, taking with them the money necessary for that day, and bringing it back in the evening, and after that it is closed for the week.

2421. How is the branch itself managed during the time the manager is absent?—The accountant and the other officials manage it; the manager goes to the sub-branch on the idlest day of the week, upon which there is the smallest amount of business being done; at some of those country offices there is very little doing on some days of the week.

2422. The branches are always open, are they not?—The branches are always open from 10 o'clock to 3.

2423. I suppose your answer just now, with regard to the deposits, applied to the small farmers?—It did.

2424. And not to the class below them, I imagine?—You have deposits sometimes amongst the labouring classes.

2425. Do they bring deposits to your bank?—Yes, very small sums.

2426. When was your bank established?—We were established in 1864, and all our progress has been since then. We opened in Cork in 1864; in 1865 we opened four offices; in 1866 we opened nine offices; since 1866 we have taken over the southern business of the Union Bank, a London Bank established in Ireland; we took the southern portion of it, the Munster business, and at a later period the Hibernian Bank took the Leinster and Dublin portion of it. In 1867 we opened four offices; in 1868 we opened four; in 1869 we opened two; in 1870 we opened four; in 1871 we opened three; in 1872 we opened four; in 1873 we opened one; and in 1874 we opened two. In addition to that, when we went to Dublin there was a small bank there, the European Bank, whose business and premises we took up.

Mr. *William Shaw*.

2427. That was also a London bank, I believe?—That was also a London bank. As I said before, in 1867 we bought the Union Bank, and in 1869 we took over the business of Messrs. Latouche & Co.'s bank in Dublin.

Mr. *Stephen Cave*.

2428. Was any bank, the business of which you bought, a bank of issue?—None of them.

2429. (To Mr. *Fitzgerald*). Was that the case with regard to the banks that you bought?—None of them were banks of issue

2430. (To Mr. *Belton*). Still you have managed to make your way, have you not, in spite of the competition of the Bank of Ireland, and of other banks of issue?—Yes.

Mr. *William Shaw*.

2431. But the country was almost unoccupied, was it not, so far as the south was concerned?—To a great extent.

Mr. *Stephen Cave*.

3432. Have you found that the competition of those banks which you have mentioned has diminished

Mr. *Stephen Cave*—continued.

diminished your business in those places?—In some places it has.

3433. But not generally?—I fancy it must in all places, although probably with the growing business of the place, as banking becomes more known, we do not feel it so much. If we had been let alone I have no doubt that we should have had a better business in each of those towns where we went.

2434. And you think that the possession of an issue is a great advantage to a bank?—I have no doubt of it.

2435. Both as to its profits and as to the extension of its business?—Yes; because if you have an issue you can open in, I think, smaller towns, and be content with a smaller business, and you need not go there carrying actual money with you. You have your notes, and if your credit is good you bring the notes with you, which will cost you merely the cost of printing and the duty to the Government.

2436. If you went beyond your authorised issue, of course you would have to get gold to meet it?—Yes.

2437. It is constantly the case, is it not, in Ireland, that gold is sent for from England at the particular time of the year at which the authorised issue is exceeded?—I think that the National Bank, which is, I may say, the only one in the south of Ireland that is in excess of its issue, is so generally in excess that it always keeps a large balance of gold. I always observe that that is so, from the monthly returns published in the "Gazette."

2438. Is it within your knowledge that money is sent from London to Ireland at certain times of the year to meet the excesses of issue?—I do not think that there is any custom of that kind in Ireland, as I believe there is in Scotland. The requirements do not occur periodically in that way.

2439. (To Mr. *Fitzgerald*.) Do you give the same answer with regard to the Hibernian Bank?—I am not prepared to answer that question, but another gentleman connected with the bank who is here would be able to answer it.

Mr. *William Shaw*.

2440. (To Mr. *Belton*.) In harvest time, I suppose, the bankers require more gold than at other times?—I think that, except for emigration purposes, for years past there has been very little demand for gold. The people would very much rather have a 1 *l*. note than a sovereign, because they are afraid that if a sovereign was light they would have to pay on going to the bank with it. Cattle dealers going to fairs would consider it a great burden to have to carry gold in their pockets; they prefer the notes. Traders now take cheques instead of money, and the banks in the principal towns will authorise the bank in a small place to pay a cheque for so much on such a day.

Mr. *Stephen Cave*.

2441. What are the denomination of notes which principally circulate in Ireland?—£. 1 notes, 5 *l*. notes, and 3 *l*. notes, are the principal notes. In the south of Ireland I think the smaller notes do not predominate so very much as they do in the north. The three northern banks, so far as my experience went, when I was in the north of Ireland, in a bank there, issue the small notes whenever they possibly can; sometimes they have no other notes to give you.

Mr. *Stephen Cave*—continued.

2442. The bank of Ireland does not issue notes between 1 *l*. and 5 *l*., does it?—Yes, it issues 3 *l*. notes.

2443. Do all the Irish banks issue 3 *l*. notes?—Yes, and the Provincial Bank used to issue 2 *l*. notes, but I think they are retired.

2444. Is there anything in the law to prevent their issuing notes of any denomination not less than 1 *l*.?—Provided there is no fractional part in it; the Bank of Ireland before the alteration of the law with regard to the issuing of notes, used to issue 30 *s*. notes, and all the banks, I think, did so.

Mr. *Kavanagh*.

2445. You complain, I think, of the inequality at which the fact of not having the right of issue places you with the issuing banks; how does that act against you?—If I had an authorised issue as the other banks have, I would merely be at the expense of printing and preparing the notes, and paying the duty to the Government upon them, which I need not pay until they are put into circulation; and I could carry those with me to any place I liked; and, I believe the average cost of making them is about 1 per cent.

2446. By that you mean that the right of issue would enable you to open more offices?—Yes, and to do business upon very much less expensive terms.

2447. Is Ireland starved for want of banks; does it want more bank offices?—I would argue from the fact of the number of offices that we have established in 10 years, from the support that we have received in every place we went to, and from the requisitions that are put before us to go to other towns, that there is still a want felt for more offices; there are requisitions constantly placed before the directors of the bank of which I am an official to go to small towns.

2448. You would think from your knowledge of the country, that an extension of bank offices would be an advantage to it?—Yes.

2449. Have you ever made a calculation of what the ratio of bank offices to the population is?—I have not; I think there are about from 350 to 360 bank offices in Ireland altogether.

Mr. *William Shaw*.

2450. As a general rule, I suppose it takes about two years before a bank pays?—It takes fully that.

Mr. *Kavanagh*.

2451. In answer to the right honourable Member for New Shoreham, when he asked you about opening branches, you said that the advantage that an issue would give you in opening branches would be, that you could take notes there; and that you would incur no risk in taking the notes as they were not actual money, will you explain that answer?—I did not wish to convey that we should incur no risks; but I said that it would be very much less expensive for us, because for every 100 *l*. that I have to take now, I have to pay the bank of Ireland 100 *l*., whereas if we had an authorised issue, I should probably have to pay 1 *l*. for the expense of printing those notes; once issued, of course they would become a liability, but now whether issued or not we

Mr. *Fitzgerald* and Mr. *Belton*.

3 June 1875.

Mr. *Kavanagh*—continued.

have to pay 100 *l.* for them, and of course we have to keep so much more for the centre.

Mr. *William Shaw.*

2452. And you have to move your money backwards and forwards to meet the requirements of the different places?—Of course.

Mr. *Kavanagh.*

2453. Are there any large towns in Ireland, to your knowledge, without banks of issue offices in them?—Yes, there are large towns, I think, that is to say, towns of 4,000 or 5,000 inhabitants not without a bank, but without a bank of issue.

2454. Do you think that that is an inconvenience to the inhabitants of the town?—It is not an inconvenience to them now, because we or some other bank in the town supply the want; the town has a bank, and it does not matter to the public where the notes come from, so long as they get them.

2455. Then so far as the public are concerned it does not matter to them, so long as they have a bank, whether the bank is a bank of issue or not?—No.

Mr. *Stephen Cave.*

2456. What is the security of the authorised issue of the issuing banks?—The Bank of Ireland issue, I suppose, is practically issued against money lent to the Government: what the security of other banks is, I cannot say, unless it is their uncalled-up capital. The banks of issue are unlimited.

2457. They have authorised issues, have they not?—Yes.

2458. And they are obliged to hold gold against the excess, beyond their authorised issues, are they not?—Yes.

2459. What is the security of the authorised issue?—I presume that the capital paid up, and the uncalled capital is looked upon by the Government as the security; there is no special security.

Mr. *William Shaw.*

2460. They do not issue upon Government securities as the Bank of Ireland do?—No.

Mr. *Backhouse.*

2461. The gold is not earmarked in any way for the special security of the note, is it?—No.

2462. Have you any statement of the proportion of 5 *l.* notes, and smaller notes that are issued by the banks?—I have not.

2463. Have you any idea of what the expense of a small branch is to you, without the power of issuing?—I could give you an idea of what the expense of the rent, and taxes, and salaries, and things of that kind would be, but not of the cost of the money that goes there. The establishment charges would vary, I suppose, from 400 *l.* to 500 *l.* a year, and probably, in some cases where the offices are very small, they might be put down at 300 *l.*

2464. From 300 *l.* to 500 *l.* would be the establishment expenses of a small office?—From 300 *l.* to 500 *l.*

2465. And, of course, if you had the power of issue, it would save you the expense of till-money?—Yes.

2466. Does the Bank of Ireland allow interest on any accounts on deposit?—Yes, since 1865, I think they have done so.

Mr. *Backhouse*—continued.

2467. On the same scale as the other banks?—Our scale is one-half per cent. higher than that of the other banks in Ireland.

Mr. *Kavanagh.*

2468. (To Mr. *Fitzgerald.*) Do you know whether a Bank of Ireland note is a legal tender?—A Bank of Ireland note is a legal tender in Ireland, under the 1 & 2 Geo. 4, c. 72, for all sums of money payable in respect of any part of the public revenue of Ireland; but a Bank of England note is not now, nor has it been since the Act of 1845, a legal tender in Ireland.

2469. You have no doubt about the fact, that a Bank of Ireland note is a legal tender in Ireland?—It is a legal tender in Ireland to the extent I have stated.

Mr. *William Shaw.*

2470. Is that by a special Act of Parliament?—I cannot refer to the Act, but I know that it has been decided in court, and is always held to be a legal tender; but in the Act of 1845, there is a section saying that a Bank of England note is not a legal tender in Ireland.

2471. (To Mr. *Belton.*) I suppose you issue nothing but Bank of Ireland notes?—Very rarely. If occasion occurred, and we required them at an office, and the Bank of Ireland notes were exhausted, we should then pay in notes of other banks.

2472. Do you allow interest upon current accounts?—No, unless they are of a public or charitable nature.

2473. Do you charge any commission on current accounts?—No.

2474. You take the balance as a set-off against the expense of conducting the account?—Yes.

2475. In the case of the payment of large amounts in wages, do they take coin or small notes?—Generally 1 *l.* notes; sometimes they take coin and half-sovereigns, in order to economise silver, but for no other purpose.

2476. When you pay cheques on other banks, do you make any charge?—We make a nominal charge. There is a scale, according to which we charge 3 *d.* for 50 *l.*, 6 *d.* for 330 *l.*, and 1 *s.* is the highest charge. That is an uniform charge made by all the banks.

2477. I suppose the increase of deposits which you have mentioned, partly arises from an increase of wealth and prosperity in Ireland?—I think so.

2478. And partly, do you think, from the extension of the branches?—Yes, I am sure that there is a good deal of money deposited now, that would not have come in, if the accommodation had remained the same as it was 10 years ago.

2479. When you first started, did you take in any old business, or did you start as a new bank altogether?—As a new bank altogether.

2480. Have you found any practical difficulty in working the bank in consequence of not having an issue?—No.

2481. It is only a slight pecuniary disadvantage to you?—I would not say that; it is slight, but it is a pecuniary disadvantage.

Mr. *Sampson Lloyd.*

2482. In your evidence a few minutes ago you stated, I think, that you had taken up the business of some London banks?—The Union Bank of Ireland has its head office in London.

2483. I presume

Mr. *Sampson Lloyd*—continued.

2483. I presume that you did not mean that you bought the business of a bank carrying on business in London at the same time that it was carrying on business in Ireland?—No; it was merely like the Provincial Bank; they had their head office in London.

2484. It was, in point of fact, a purely Irish bank as regards its business, although many of its shareholders might be Englishmen?—Yes.

Mr. *William Shaw.*

2485. The European Bank had a London business, had it not?—I could not say.

2486. You bought the Dublin branch of the European Bank, did you not?—Yes.

Mr. *Sampson Lloyd.*

2487. At all events, as regards the Union Bank, that had no connection with a large bank in London called the Union Bank?—No, it was the Union Bank of Ireland.

2488. You appear, from your evidence, to have carried on a successful and largely increasing business without an office in London?—We have done so.

2489. We have been told by some of the witnesses who have been examined before the Committee that it is a very great advantage, if not amounting to almost a necessity, for a bank in a distant part of the country to have an office of its own in London, and not to conduct its London business through an agent; have you found that to be necessary?—We have not.

2490. You conduct your business successfully and sufficiently through an agent?—Yes.

2491. You were asked, I think, whether the Bank of England did not compete with the English banks as much, or to a similar degree, as the Bank of Ireland competes with the Irish banks; I presume you are aware that the Bank of England makes in no case any allowance for interest either on deposits or on current accounts, and that the Bank of England also, I believe, allows no over-draft, under any circumstances whatever, of the current account; does the Bank of Ireland ever allow an over-draft?—It does.

2492. Is not the Bank of England more particular than bankers ordinarily are as to its discounts: that is to say, as to the size of the bills that it will discount?—I am not prepared to say.

2493. I presume you would discount for a respectable and responsible customer almost any paper of a legitimate kind which he took in the course of his business, whether it was a large bill or a small bill?—Yes.

Mr. *William Shaw.*

2494. And the Bank of Ireland would do the same, I suppose?—Yes.

Mr. *Sampson Lloyd.*

2495. Therefore, from your answer, I conclude that the Bank of Ireland does enter into competition with the Irish banks in a totally different way, and in a much greater degree than the Bank of England by its habits of business enters into competition with English banks?—So I should infer from what you say, but I was not aware of that before; I have very little knowledge with regard to the Bank of England.

2496. I think you stated, in answer to a question that was put to you on the subject, that it does not matter to the public in any town in Ireland whether banks of issue, as distinguished from banks of non-issue, existed there or not, so long as they have a bank of some kind?—That is so.

Mr. *Sampson Lloyd*—continued.

2497. Would not the privileges of an authorised issue, and in addition the privilege of issuing against the gold which you are obliged to keep in stock increase your income?—Yes.

2498. Supposing that you are obliged to hold gold or notes of other banks to the extent, for argument's sake, of 200,000 *l.*, and that you are allowed and authorised issue of, say, 100,000 *l.*, so that you could issue 300,000 *l.* against the 200,000 *l.*, the interest on that, taken at 3 per cent., being 9,000 *l.* a year (or at any other rate that you like to calculate it at), would not that increase your income and help you, if you made no more than the present dividends to your shareholders, to bank somewhat cheaper to the public?—At the present time we are obliged to bank exactly on the same terms as the banks of issue, and if we got an issue I think it would go to increase our profits, but I do not think that the public would be likely to get any advantage from it, because we would not be disposed to cut under other people.

2499. At all events it would greatly increase the profits of your shareholders, would it not?—Yes.

2500. And it would be possible that competition might divert a portion of that into the pockets of the paying public?—At present we give the advantage of a higher rate of interest upon deposits. Beyond that I do not at present see that we should be disposed to compete.

2501. At all events, if the privilege of the issue against gold existed, it would be of some benefit to Ireland, so far as the shareholders in the banks are concerned, would it not?—It would be a benefit to the public, because it would enable us to go to towns where the business at present, having to pay for the issue for other notes, would not support us.

2502. I presume that you are obliged, whether you wish it or not, in order to pay cheques when presented, to keep a certain amount of gold or Bank of Ireland notes as a dead weight on your business?—Yes.

2503. If you had a power of issue as the Scotch banks have, you would be able to issue against that and make interest upon that amount of capital which is now lying dormant, would you not?—Yes.

Mr. *Backhouse.*

2504. (To Mr. *Fitzgerald.*) What notes do the Hibernian Bank issue?—Bank of Ireland notes entirely.

Mr. *Stephen Cave.*

2505. (To Mr. *Belton.*) Do the banks of issue go into smaller places than the banks of non-issue?—Yes; the National Bank has branches in very small towns.

2506. In places in which banks of non-issue could not live, I suppose?—Not to advantage, I think.

2507. Is there any marked difference in that respect between the branches of banks of issue and the branches of banks non-issue?—I do not think there is.

2508. If you have a small town to yourselves, I suppose in course of time your business would be sure to pay there?—Yes; we have had no instance yet where it has not come up to a point at which it pays.

2509. But

Mr. *Fitzgerald* and Mr. *Belton*.

3 June 1875.

Mr. *William Shaw*.

2509. But it is a dead weight for some years upon the earning power of a bank, is it not?—Yes.

2510. And in that way it prevents your extending your business to small towns?—Yes, unless gradually.

Mr. *Stephen Cave*.

2511. The charge to the public for banking is regulated by the banks of issue, and not by the banks of non-issue, as I understand?—Yes, we are obliged to bank upon equal terms with the banks of issue.

2512. Have any banks of issue in Ireland ceased within the last 20 years?—I do not know that any have. There were some private banks that ceased.

2513. Was there any system of banks in Ireland giving up their right of issue for compensation as they did in England?—No.

Mr. *Kavanagh*.

2514. You said that in some cases you charged 3 *d.* for cashing a cheque from another bank; you do not charge that, do you, upon your own cheques, but upon cheques which are presented from a different branch?—If a cheque is presented by an account holder it is paid free, but if it is presented by any other person it is charged.

Mr. *William Shaw*.

2515. Is there a scale of charges as to the number of miles distant?—No.

Mr. *Sampson Lloyd*.

2516. You said that you charged no commission; I presume that sometimes a case arises where a man may do a large buisines, and draw his money out nearly as fast as he pays it in; in what way, if in any, would the bank get any profit out of such an account if you make no charge?—In such a case you do not get any profit. Some of the accounts are obliged to be worked really at a loss.

2517. Do you continue to keep such customers on your books year after year?—It is not an actual loss; it is clerk's time. It is the custom to take every solvent account which comes, no matter what balance is left to the credit of the holder of the account.

2518. Still you would take your chance of profit upon a man's account even if you found it unprofitable for some years together?—Yes.

2519. Can you give the Committee any idea of what is the amount of Bank of Ireland notes, which either of your banks, or both together, put into circulation?—I do not think that we could give that; I have a return before me of the amount of notes circulated by the three northern banks; if I take the bank which has the number of branches nearest to our bank, I think that that would be the only way in which I could come at it. We have 37 branches, and the Northern Bank has 35 branches and 8 sub-offices; and their average circulation is 480,000 *l.*, as furnished to me from one of the banks in Belfast.

2520. What conclusion would you draw from that, in answer to my question?—That our circulation ought to be about the same as theirs, as the number of offices are the same; but I think that that would be an over statement from any other means that I should have of forming an opinion, and that if we put it down at 300,000 *l* it would be certainly under.

Mr. *Sampson Lloyd*—continued.

2521. The probability then is, if I understand your answer aright, that you assist to increase the Bank of Ireland circulation to the extent of over 300,000 *l.*?—Over 300,000 *l.*

Chairman.

2522. Do you find that the Bank of Ireland notes are generally preferred to others?—I think that, if there is any preference, it is given to them, but there is no difference whatever in ordinary dealings with the public; they take the note of any of the three banks that is tendered.

2523. You think that the fact of Bank of Ireland notes being a legal tender, is generally known and acknowledged in Ireland?—I think it is.

2524. Do you think that that makes much difference in the demand for them?—Not the least, in my judgment.

2525. How do you account for the fact that the Bank of Ireland issue is below the authorised amount?—The only way in which I could account for it is, that at the time the average was fixed, I presume that the other banks had not as many notes in circulation, or that they were not spread so much. The National Bank was very much lower then.

Mr. *William Shaw*.

2526. The Bank of Ireland had their 50 miles monopoly then, and I suppose that that accounts for it in some degree?—Yes.

Chairman.

2527. Do you consider that the Bank of Ireland has reduced its business since 1844?—I would say not, but the reverse.

2528. You think that it has rather increased its business?—Yes, they have increased their number of branches by 19 or 20.

2529. But if they have not diminished their business, but have rather increased it, how should it be that they have not reached their authorised issue?—I think that the increase in their deposits would account for it to a certain extent.

2530. How would that account for it?—It would account for it in this way, that people were holders of money in former times, and now facilities are given them for paying moneys into banks, and they do not hoard their notes.

2531. Have you any account to show what the total issues of Ireland are as compared with the authorised issues?—I have no summary of it, but I have the authorised issue and the actual issue.

2532. I wanted to see how far the actual issues have increased or diminished since 1844?—My return does not go back beyond 1864.

2533. Since 1864, has the total amount of issue been increasing or diminishing?—It has been increasing decidedly.

2534. Can you say whether the issue of the Bank of Ireland has been increasing or diminishing since 1864?—In 1864 it was 2,475,900 *l.*, and in 1874 it was 2,854,404 *l.*

2535. Then it has been increasing within the last 10 years?—The issue of the Provincial Bank was 854,507 *l.* in 1864, and it is 882,800 *l.* now. The issue of the National Bank in 1864 was 1,157,500 *l.*, and in 1874 it is 1,358,685 *l.* With regard to the northern banks, I have no return of what their issues were in 1864, but the authorised issue of the Belfast Bank is 281,611 *l.*, and its

Chairman—continued.

its actual average issue for the last year was 490,000 *l.* The Ulster Bank is authorised to issue 311,079 *l.*, and it has 690,000 *l.* in circulation. The Northern Bank had 243,440 *l.* authorised, and its actual circulation was 480,000 *l.* They are all in excess of their authorised issue, except the Bank of Ireland.

2536. In all these cases the gold which they hold is a security, is it not, against the whole of their liabilities, that is to say, against their authorised and unauthorised issues and their deposits?—I take it that it is so.

2537. If you had the right to issue and did issue, and were to issue any quantity of notes, should you consider it necessary to hold more gold than you now do against that fresh issue?—Yes; now we are not responsible in gold for the payment of the notes which we issue.

2538. But you are obliged to hold a certain quantity of gold against your liabilities as a matter of prudence?—As a matter of prudence we are.

2539. If you issued, say, 200,000 *l.* in notes, do you think that you would require to hold more gold than you do now?—Yes.

2540. That would, to some extent, reduce the value of the issue to you, would it not?—To a certain extent it would, but not so very much, I should say.

2541. Can you put any price upon the value of issue; can you say that the right of issuing 100,000 *l.* is worth so much to a bank?—I have not made any calculation that would enable me to answer that question.

2542. Do you think that it is a calculation that could be made?—Yes, I think so.

2543. Upon what principle should you attempt to appraise it?—By calculating how much gold it would be necessary to hold, and then deducting that from the amount, and then calculating a certain rate per cent. upon it.

2544. How much gold should you say that you would hold against an issue of 100,000 *l.*?—For some time, I should say that the proportion would have to be large until the notes became generally known. We should be obliged to hold a considerable sum at each office where the notes were issued, but after some years, when the circulation was established, the proportion would be lessened.

2545. Would you hold one-third?—Fully, I should say.

Mr. *William Shaw.*

2546. It would be rather more, I suppose, if anything, at first?—Yes.

Chairman.

2547. Is the process of the absorption of small banks by large ones with branches going on in Ireland; you have yourselves bought up several small banks, have you not?—We took over the businesses of three banks.

2548. Similarly, the Hibernian Bank has taken over business, and other banks, I suppose, have taken over business, have they not?—I think not; I think that there were only three banks whose businesses were taken over. The Hibernian Bank got a portion of it, and we got the other portion; we got the Munster portion of the business, and the Hibernian Bank got the Leinster and Dublin portion of it.

2549. Counting each branch as a separate bank, there has been of course a large addition to the

Chairman—continued.

number of banks in Ireland within the last 10 or 20 years?—Yes.

2550. But taking the head establishments, should you say that there were more or fewer?—I should say that there were fewer, if you count the three banks whose business we took over, because we are, I believe, the only bank that has been established during that time.

2551. Have not any of the other and smaller banks been abandoned, or bought up by the other banks?—No.

Sir *John Lubbock.*

2552. Are the notes of the Irish banks payable at the different offices of the banks or only at the head office?—At present I think that they are payable at all their offices; I know that the Bank of Ireland notes are.

2553. It makes a great difference, I presume, whether they are payable only at one place or at a number of places?—During my experience they were always paid wherever they were presented; I was in the Bank of Ireland for 19 years, and the notes were always paid when they were presented.

2554. I think that you have already said that you yourselves find no practical inconvenience from not having an office in London?—None whatever.

2555. Do you consider that there is any inconvenience to the people of Ireland arising from the fact that the Bank of Ireland has no London establishment?—Not that I am aware of.

2556. Have the Irish banks any general tariff of charges, or does each one of them make such charges as it thinks right and proper under the circumstances, after consultation, of course, with its customers?—There is a general rate of charges, and when the Bank of England rate is altered the court of directors of the Bank of Ireland fix their rates; and my belief is that they arrange with the national and provincial banks as well, and that there is a uniform rate; I know that in Cork as soon as the agent of the Bank of Ireland gets his circular from Dublin, he sends me a copy of it and I act upon it.

2557. Do the other Irish banks act upon that in the same way?—The other Irish banks act upon it in the same manner; probably there may be a difference in some minor charges, but the general rates are practically identical.

2558. Do you always charge the same rates for payments made in London on behalf of your customers?—I think that the payments vary in different places, and that the rates charged for payments in London and Dublin are more than we get in Cork.

2559. But as regards either Cork or Dublin itself, would they be the same for all the banks established there?—Yes.

2560. Does the National Bank having an office in London charge the same rate as the banks which have no offices in London?—As a general rule I think they do, but in some cases their customers, I have been told, make arrangements with them that the payments in London are to be free.

2561. But, as a general rule, it is the same in all cases?—Yes, I think so.

2562. You attach considerable importance to the circulation of small notes in Ireland, I think you said?—Yes.

2563. And

Mr. *Fitzgerald* and Mr. *Belton*.

3 June 1875.

Sir *John Lubbock*—continued.

2563. And you are of opinion that it would be a considerable loss to the people of Ireland if the 1 *l.* notes were abolished in Ireland?—I think it would practically upset all business for some time, for they do not like the gold circulation at all.

2564. And of course there would be a considerable loss of interest?—Yes.

2565. I hardly understood you, I think, correctly to say that if you found an account unprofitable for a series of years you would still continue to keep it?—It is a most unusual thing to refuse to keep an account unless you anticipate an actual pecuniary loss; that is to say, that a man will not be able to pay his liabilities. If a man opens a cash account and does not leave a balance at all, or leaves so small a one that it is not worth keeping, it is a very unusual thing to say that you will not keep it longer.

2566. That is, I suppose, because you hope that in course of time it will become a profitable account?—We always court popularity, and if you turn a man out, he will tell other people what you have done to him, but he will not tell why you have done it, and therefore it tells against you. He may have a very respectable name outside, and yet keep very little money at his bankers, but he will not tell that.

Mr. *William Shaw*.

2567. And you cannot tell it, I suppose?—No, it would not do.

Sir *John Lubbock*.

2568. Your balance sheet, I think, is published, and therefore I may ask you the amount of your liabilities?—I have the balance sheet here, and I will hand it to you with pleasure (*handing it to the honourable Member*).

2569. The total amount of your liabilities to the public is about 2,500,000 *l.*?—Yes.

2570. And the amount of cash which you hold against that is about 250,000 *l.*?—Yes.

2571. That is about 10 per cent.?—Yes.

2572. You have stated your opinion that if you had an issue of notes you would think it prudent to hold about one-third of gold against that note issue?—Yes, at least that.

2573. Therefore I infer that you would think it prudent to hold a larger reserve, as against the notes than as against the same amount of deposits?—Yes, the run is always, as far as my experience goes, on the notes, and very rarely on deposits.

2574. (To Mr. *Fitzgerald*.) You stated, I tihnk, that no opinion adverse to the establishment of the National Bank has ever been given; I presume therefore that you have not seen the opinion which Sir James Scarlett gave to the Bank of England?—I understood the question to apply to any adverse opinion having been given in Ireland; I was not speaking of England. I have read the opinion to which the honourable Member refers.

2575. You have referred to the Act of 1826; have you carefully considered the English previous Acts, and are you prepared to give evidence upon them?—No, the only English Act that I know of, is the Act of 1707.

2576. Is that the only Act to which you referred?—I referred to it as containing the prohibition of banking, and then the Act of 1826 relaxes it.

Sir *John Lubbock*—continued.

2577. That is your opinion?—Yes.

2578. You are aware, I suppose, that opposite opinions have been expressed?—Yes, and I gave mine with a great deal of doubt, but as I was asked for it, I thought I ought to give it.

Mr. *Anderson*.

2579. (To Mr. *Belton*.) Are you aware of the grounds on which the authorised circulation of each bank was fixed in 1844?—I always understood it was fixed, on an average, for some term previous, taken at the time, but I am not prepared to say what that average was.

2580. Do you know whether the actual circulation soon after that, say in 1846, or thereabouts, was somewhat in proportion to the authorised circulation of each bank?—I am not prepared to say. I have not any return previous to 1864.

2581. Your evidence shows that the distribution is very badly arranged now, I think; you showed that the Bank of Ireland has 1,000,000 *l.* under its authorised issue?—£. 1,000,000 *l.*, or something about that.

2582. Whereas all the other banks are in excess of their authorised issues?—Yes.

2583. Does not that show that the distribution of the authorised issue is very inconvenient now? It does.

2584. You are not aware whether it was equally so at the beginning?—I am not.

2585. Nor how it has become so?—I would infer that it became so from the extension of their branches in the cases of the National and the Northern Banks.

2586. Have not the Bank of Ireland extended their branches?—They have within the last 10 years; but for a long time previous to that they had hardly opened any branches.

2587. You, I think, have some 350,000 *l.* of their notes in your branches?—Yes.

2588. Do you know how many the Hibernian Bank use?—I do not.

2589. Is it as many, do you suppose, as you use?—I should say so. Their number of branches is about the same; they have 29 branches and five sub-branches, and we have 36 branches and four sub-branches; and so, I presume, that their circulation would be about the same.

2590. (To Mr. *Fitzgerald*.) Have you any published accounts of the Hibernian Bank?—Yes.

2591. (To Mr. *Belton*.) Supposing the Hibernian Bank to use as many Bank of Ireland notes as you do, that would imply that the Bank of Ireland had an authorised issue of 1,750,000 *l.* in excess of what it requires, would it not?—Yes, that would be the reasoning.

2592. Then what you want in Ireland is not a larger authorised issue, but rather a redistribution of the present authorised issue; would it not be a great advantage to Ireland to take this 1,750,000 *l.* of excess of the Bank of Ireland, and to give part of it to you, part of it to the Hibernian Bank, and part of it to the other banks which use more than they have?—It would be a great advantage to the non-issuing banks, certainly, to get the privilege of the issue.

2593. But not to the public?—I think that the public, so far as the offices are open, and the towns in which they are open at present, are very well served; but it might be an advantage

to

Mr. *Anderson*—continued.

to them in this way: that it would enable more offices to be opened, and in smaller towns.

2594. They would have, in fact, the 1,000,000*l.* of issue which is at present lying idle in the Bank of Ireland available for public use?—Yes.

2595. That would be an advantage to the public, would it not?—Yes, I should think so.

2596. You said in your evidence that you thought that there was still a demand for offices in the country?—Yes.

2597. Would not that enable you to supply that demand?—It would.

2598. Why is it that the banks of issue at present do not supply that demand; why does not the Bank of Ireland, for instance, step in and fill up that vacuum when they have got this 1,000,000*l.* of issue to do it with?—I do not know that I could give you a satisfactory explanation of that; but one reason is, that whenever the Bank of Ireland open a branch, it is more expensive to them in establishment charges than it would be to us, for they give very much larger salaries at the commencement.

2599. It is not incumbent upon them to do so, is it; that is simply a question of internal management, is it not?—They never have done it, and I fancy that they would not like to open in very small places.

2600. Does not the fact that, as you say, there is a demand for more banking accommodation in the country, and the fact that along with that you have 1,000,000*l.* of issue idle in the Bank of Ireland, show that banking enterprise in Ireland is in rather a backward condition?—I think that it could be developed more if more facilities were given.

2601. And what is wanted, then, is to give facilities to enterprising banks such as your own, which are willing to develop it, and to take part of the privilege away from the Bank of Ireland, which appears rather a sleepy concern, and unwilling to develop it?—We think that we are under a disadvantage from not having an issue; but I do not like to say anything about any other bank.

2602. And you think that the country is under a disadvantage also if it does not receive the banking accommodation that it ought to have?—Yes, decidedly.

2603. Are there any private banks in Ireland?—I think that there are three in Dublin still.

2604. Has the system of private banks ever largely prevailed in Ireland?—I believe that it did a great many years ago,

2605. Were those private banks banks of issue generally?—A great many of them were banks of issue.

2606. What became of them?—They nearly all failed.

2607. Did they fail at any particular time?—Most of them failed so long ago, that I have no recollection at all of them; I have merely heard of them. The Agricultural Bank was the last that failed.

2608. Do the payment of Irish commercial bills largely culminate in London?—I would not say very largely, but of course there is an immense amount of them; our own business is nearly altogether Irish, or the large proportion of it.

2609. Is there not a great tendency on the

Mr. *Anderson*—continued.

part of Irish business to be centralised in London, and for the payments to be made there?—I believe there is a large proportion of business done in that way.

2610. But you have not felt it to such an extent as to require you to establish an office in London?—We do not look for any business at all but Irish business. If our customers have bills payable in London, and some of them have, we take them.

2611. Then, in fact, you do not establish branches in London, simply because your customers do not require you to do any London business for them to speak of?—Anything that we require to be done in London has always been most satisfactorily done by the agents there.

2612. But it is not on so large a scale that it would be profitable to you to establish a branch in London?—It would not.

2613. Do you keep any reserves in London?—Yes.

2614. With the Bank of England?—No; our dealings were from the starting up to the present time with the Union Bank in Princes-street. When we took over Messrs. Latouche's business they had always been transacting their business with the National Provincial Bank, and we still do some with them.

2615. And you keep your reserves there?—Yes, from time to time.

2616. Simply lying on deposit with them?—Merely on current account, whatever is necessary.

Mr. *Mulholland*.

2617. Can you state what proportion of the notes at present in circulation in Dublin and around it are Bank of Ireland notes?—No.

2618. You have no means of knowing what proportion of other banks notes are in circulation in Dublin and around it?—No.

2619. Would it not account for the diminution in the circulation of the Bank of Ireland since 1845, that since that date other bank notes have taken the place of Bank of Ireland notes within the 50 mile radius?—To a certain extent, I should say that it would.

2620. You were asked a question about the grounds upon which the limit of authorised issue was taken; are you aware that the 13 months prior to the 27th of April 1845 was adopted?—I am not aware what period was adopted, but I always understood that the calculation was made in that way.

2621. That it was merely based upon the actual circulation for the 13 months before the 27th of April 1845?—Yes.

2622. I think you said that if you had the right of issuing, it would not alter the terms to the public, but that it would only increase your dividends?—I think so, inasmuch as we now bank on the same terms as the banks of issue.

2623. And, in fact, banking profits are so small that it is generally customary, under any circumstances, is it not, for banks to agree amongst themselves as to the charges?—Yes.

2624. I suppose that at present you use all your deposits in your own locality?—At present we use them all in our own locality.

2625. Supposing that they were to increase, say, up to 8,000,000*l.* or 9,000,000*l.*, you would probably then require to look out for other modes of employing them, and you would wish

Mr. *Fitzgerald* and Mr. *Belton*.

3 June 1875.

Mr. *Mulholland*—continued.

to do some London business, would you not?—I presume that if they increase to those figures we might experience a difficulty in finding occupation for the money in Ireland.

2626. Is your business altogether in Munster?—We have some offices in Leinster.

2627. Do you find that in Leinster the Bills are all made locally payable as well as in Munster?—Yes, with the exception of some business that we get in Dublin from traders there. We have accounts with distillers and brewers; and some of them have foreign agencies, and others consign to London and elsewhere, and their bills on London and Liverpool, and so on, are made payable in London. We have accounts with one or two West India houses, and their bills are all Colonial Bank bills, and bills of that class payable in London.

2628. But the bills presented in Dublin are, to a considerable extent, payable in London, are they not?—No, the greater proportion are payable in Dublin.

2629. Is the proportion payable in London increasing?—I should say not in our business.

2630. There was no private bank of issue in 1845, I think?—No.

2631. Was it in Munster that you said you did not think there were sufficient banking facilities?—Yes, it was in Munster that we have received applications to open branches.

2632. Are those the places which are at present without a branch of any other bank?—Yes.

2633. Does the National Bank or does the Provincial Bank not open branches in towns where it would be profitable?—The National Bank has opened branches very largely; the Provincial Bank has not opened a branch for the last 10 years.

3634. To what do you attribute that, because, in Ulster, we find branches in all towns that have any reasonable grounds for requiring them?—I really could not say why the Provincial Bank have not extended their operations.

Mr. *Anderson*.

2635. Is there any system of exchanging notes in Irish provincial towns?—Yes.

2636. Have you any part in that?—No, we pay in to our credit in the Bank of Ireland the notes of all the banks we get.

2637. To the credit of the branch of the Bank of Ireland in each town?—Yes, wherever we have a branch in a town of the Bank of Ireland, we keep an account with the Bank of Ireland, and then pay in the notes that we get there, or in any adjoining branch to our credit.

2638. How often do those exchanges take place?—In Cork and Limerick the banks exchange every morning, and twice on Saturday.

2639. How are the balances settled?—By drafts on Dublin, and they are arranged there, I believe, by Exchequer bills.

Mr. *Mulholland*.

2640. You were asked as to where Irish bank notes were made payable; are you not aware that they are generally made payable at the branch where issued, or at the head office?—That was originally the custom; they were afterwards paid at the place at which they were issued or in Dublin; they were then divided into the four provinces, and now they are payable at any place where they have a branch.

Mr. *Mulholland*—continued.

2641. The Bank of Ireland notes?—Yes.

2642. With the other banks, is it not the custom that though in practice they are taken everywhere, yet to protect themselves they have a precautionary provision that they are not bound to pay their notes except at the branch where issued or at the head office?—Yes.

Mr. *Orr Ewing*.

2643. You stated, did you not, that your customers are principally local?—Yes.

2644. You have no large accounts with the foreign merchants?—No.

2645. You receive no foreign bills of exchange?—We have some accounts for American houses who draw upon us, and we receive from them remittances, but for comparatively small amounts.

2646. So small that you give it as your opinion that you would find a branch in London of no use to you?—No, I should say that it would be a loss.

2647. But you can easily conceive, can you not, that the bankers in Scotland who conduct large transactions with foreign merchants in all parts of the world might be very differently situated?—Yes.

2648. You only speak with reference to your own bank?—That is all.

2649. Yours is a non-issuing bank, is it not?—Yes.

2650. You stated, did you not, that there are some towns in Ireland with a population of 5,000 or 6,000 where they have no bank of issue, or no branch of a bank of issue?—That was the case when we were established, but I do not know any town at present of that extent without a bank.

2651. But you said, I think, that the public did not suffer any inconvenience from that fact, because you supplied the deficiency to the public?—Yes.

2652. But you do this at your own expense?—At our own expense.

2653. And you feel that to be a grievance?—Yes.

2654. But I presume that you do not wish to lead the Committee to believe that it was your wish to do away with the issue of notes in Ireland?—Certainly not; quite the reverse.

2655. But rather that you should be admitted to the same privilege which the other Irish banks have?—Quite so.

2656. You consider that it would be a great national loss and inconvenience if Ireland were deprived of its issue of 1 *l.* notes and upwards?—I do.

2657. And you would discourage any such idea?—Decidedly.

2658. May I ask what bullion you hold?—It varies from time to time; I suppose about 50,000 *l.*

2659. Do you state the figures in the balance sheet?—We do not divide the cash; we give it in round numbers.

2660. You do not find the necessity of having bullion for circulation?—For circulation we do not require it at all, because the public prefer the notes. What we generally require is in seaport towns, for paying freights and things of that kind.

2661. And even though you had a much larger quantity of bullion the public would not accept of it, but would prefer the 1 *l.* notes?—Very much

2662. Did.

Mr. *Balfour*.

2662. Did you not say that you gave better terms on deposit accounts than any other bank?—Yes.

2663. What is the reason of that?—When we were established my directors were under the impression that the shareholders got rather more than their fair proportion of the profits of banking in Ireland, and that the depositors who contributed to that, to a certain extent, ought to get their proportion. And of course there was another reason: we had the idea that by giving half per cent. more we should get more money from the depositors.

2664. Then it was not the fear of the competition of the issuing banks which induced you to do it?—No.

Mr. *William Shaw*.

2665. You took the scale of the London banks?—We took the scale of the London banks.

2666. And there was hardly anything like a scale for the Irish banks?—It was always, as far as I can recollect, one and a-half per cent., or two per cent. for years previously.

Mr. *Stephen Cave*.

2667. Is there any complaint of the insufficiency of the supply of bank notes in Ireland?—No, not by the public.

2668. Then I presume that the Bank of Ireland does not issue all the notes that it might issue, because nobody wants the excess?—I presume that that is so; they do not make an effort properly to extend their business and get them out.

2669. If anybody wanted them they would send and get them, would they not; the other banks, for instance?—If we wanted them we should, of course, send and get them; but the other banks never issue them; the National and Provincial Banks never issue anything but their own notes.

2670. But I mean banks of non-issue?—Yes, of course they would send and get them.

2671. Of course, it comes to this, does it not, that the public are sufficiently supplied with the banks issue without this excess which the Bank of Ireland might issue?—They are supplied so far as the accommodation has been extended; but we say that if we had certain advantages we should extend still further, and the public would have a certain benefit out of it.

2672. But in those small places to which you would extend your operations, is there now no supply of bank notes, or an insufficient supply?—I should say that there must be more or less an insufficient supply from the want of having a bank in the place.

2673. And you say that is a fact?—I believe so.

Mr. *William Shaw*.

2674. There must be a limit, I suppose, to the establishment of branches by banks; a large bank with its head office in London, or the Bank of Ireland, would not like to put out more than a certain number of branches, because it increases their trouble and responsibility?—It increases their trouble and responsibility, unquestionably.

2675. It is more likely, is it not, that local banks, like the northern banks, in Ireland will supply a district with branches, than that so large an establishment as the Bank of Ireland will do so?—Yes.

Mr. *William Shaw*—continued.

2676. The directors know the country thoroughly, and the merchants know them?—Yes.

Mr. *Orr Ewing*.

2677. What dividend do you pay?—We paid 6 per cent. for the first four years, then 7 per cent., then 8 per cent., then 10 per cent., and 12 per cent. for the last three years.

2678. Can you state what per-centage upon the amount of deposits that you have the expense of conducting your business comes to?—I have no calculation of that.

2679. Could you make the calculation?—I could supply it.

2680. Would it not be about 1½ per cent.?—Yes.

Mr. *Hussey Vivian*.

2681. Are all your deposits at call, or are some of them on notice?—We are entitled to seven days' notice on all deposits; but they are, practically, at call, because they are always paid when demanded.

2682. You have nothing beyond that, then?—No.

Mr. *William Shaw*.

2683. You do, I suppose, sometimes take deposits for a longer period?—We did for a while; but latterly we have given up the system of taking money for a fixed period, and at a fixed rate.

Mr. *Sampson Lloyd*.

2684. You were asked a question as to whether if the public wanted notes they would not come and fetch them; does not the taking of notes by the public depend upon the facilities given to the public for taking them by the opening of small branches and sub-branches?—Yes.

2685. I presume, that if it was thought right by the Bank of Ireland to extend its system of branches as rapidly as your bank and others have done, they would probably in that case very greatly increase their circulation, so that they might come much nearer their authorised issue than they do now?—Yes.

2686. And in the absence of those facilities being afforded, is it not the fact, in your opinion, that a great deal of money is hoarded by the farmers, and peasants, and other people, which would be usefully employed in promoting commerce, if it could be absorbed by an extension of the banking system?—That is my belief.

Mr. *Backhouse*.

2687. On the other hand, would not the extension of branches encourage deposits, and rather decrease the necessity of the note circulation than increase it?—Perhaps it would decrease the general note circulation to some extent.

Sir *John Lubbock*.

2688. You say that there is hoarding, in your opinion; may I ask what it is that is hoarded?—Notes.

2689. Then, in that case, the opening of branches would lead to those notes being paid in, and, therefore, to the diminution of the circulation, would it not?—We see very few in-

Mr. *Fitzgerald* and Mr. *Belton*.

3 June 1875.

Sir *John Lubbock*—continued.

stances of gold that has been laid by coming in in any quantity.

2690. In that case the diminution of hoarding implies a diminution of the circulation of notes, does it not?—Still I think that the trade of every town would increase in proportion to the accommodation given to it. We have found that the business done in a town after we have been there some little time, is double and treble what it was when we started.

Mr. *Backhouse*.

2691. Have you found an increase in the use of cheques?—Very much.

Sir *John Lubbock*.

2692. Business is carried on mainly, or to a great extent, by cheques, is it not?—Yes, to a great extent.

2693. The notes of the Bank of Ireland, of the Northern Bank, of the National Bank, and of the Provincial Bank, are payable at their different offices, are they not?—That is my impression.

Mr. *Hussey Vivian*.

2694. Is there much investment in local undertakings in Ireland?—There is a good deal of investment in securities, and other matters of that kind.

2695. Are building societies common in Ireland?—Building societies in Ireland are pretty general, but there are not very many.

2696. Are there also friendly societies and benefit clubs, and such things?—I think they are not common at all.

Mr. *Orr Ewing*.

2697. I suppose you have great national works in Ireland upon which people expend money as well as in England, such as water works and gas works?—Yes, there are investments of that kind which are very generally taken up by local parties.

Mr. *Mulholland*.

2698. I suppose the reason why you would value a circulation in opening a branch in a small town would not be so much for the circulation that it would lead to, as for the power of keeping a reserve in the shape of unissued notes?—Yes.

Sir *John Lubbock*.

2699. The Bank of Ireland has the largest circulation, has it not?—Yes.

2700. And its business is very large?—Yes, very large.

2701. Have you heard any complaint from the Bank of Ireland, on the score that they have no office in London?—I have not.

2702. You were speaking of many years ago, I presume, when you spoke of private banks failing?—I was.

2703. There have been no failures of large private banks in Ireland during the present century, have there?—No, the Agricultural Bank was a joint stock bank; there has been no large failure of a private bank.

Sir *Graham Montgomery*.

2704. Does the Bank of Ireland do all its business through correspondents in London?—I believe so.

2705. They have no agency in London, I think?—Not that I am aware of.

Mr. *Orr Ewing*.

2706. I suppose you have no special information about the Bank of Ireland?—I have not.

Sir *John Lubbock*.

2707. Still you are quite aware that it does a very large business, are you not?—Yes, I am aware of it.

Mr. *Orr Ewing*.

2708. But you are not aware whether they find any inconvenience from not having a branch in London?—I am not in a position to know that.

Sir *John Lubbock*.

2709. (To Mr. *Fitzgerald*.) Will you state what the liabilities of the Hibernian Bank to the public are?—The deposits are 1,635,307 *l*., and the amount of the cash reserves are 189,890 *l*.

2710. That is between 10 and 15 per cent., then?—Yes.

Mr. *Stephen Cave*.

2711. (To Mr. *Belton*.) How long is it since the practice of giving interest on deposits prevailed in Ireland?—I think that the National Bank and the Provincial Bank have done so since they were established. The Bank of Ireland have been allowing interest on deposits since 1865, or since the end of 1864; I am not sure which.

2712. I think you said that there was a great variety of rates?—Up to the time that the Bank of Ireland commenced to allow interest on deposits, I think 1½ and 2 per cent. were the rates generally allowed by the Provincial Bank and the National Bank, no matter what the discount rate went up to; but since then there has been very much of uniform rate, varying according to the Bank of England rate.

Mr. *Kavanagh*.

2713. You do not allow interest upon current accounts, do you?—We do not unless they are public or charitable accounts; upon those we allow the deposit rate.

Mr. Edward James Mills, called in; and Examined.

Mr. *Mills*.

Mr. *Goschen*.

2714. You are a Joint Manager of the National Bank of Ireland, are you not?—Yes.

2715. Do you hold any other office in connection with that bank?—I am inspector.

2716. What is the duty of the inspector?—He generally has a certain district of branches for which he is responsible, and which he has to inspect at least once a year, and report to the directors.

Mr. *Goschen*—continued.

2717. Among your functions is that of inspecting the branches?—Yes.

2718. How many branches has the National Bank?—It has 76 branches in Ireland, and seven branches and a head office in London; that would be 84 offices altogether.

2719. You have offices in England besides your head office in London?—Yes, we have seven metropolitan

Mr. *Goschen*—continued.

metropolitan branches, and one head office in the City of London.

2720. How many banks of issue are there in Ireland?—Six.

2721. Is yours a bank of issue?—Yes.

2722. What is the total fixed issue of the banks in Ireland?—£. 6,354,494.

2723. What does that represent per head of the population?—About 23 *s.*

2724. What is the actual circulation of notes in Ireland?—£. 6,800,000.

2725. Can you state of that amount what proportion of denominations of 5 *l.* and upwards, and under 5 *l.* circulate?—The circulation of 5 *l.* notes and upwards is 3,660,000 *l.*, and under 5 *l.* it is 3,132,000 *l.*; being about 55 per cent. and 45 per cent. of the whole respectively.

2726. What amount of gold and silver is generally held by those banks?—Nearly one-half of the amount of notes in circulation.

2727. Is that the average taken over the whole of the banks, or would you state that most of the banks hold one-half in gold?—They do not. That is taking the total of the bullion held in Ireland as against the total of the circulation.

2728. Do you include the Bank of Ireland in your circulation?—I do.

2729. What is the proportion in the case of the Bank of Ireland?—The circulation of the Bank of Ireland by the last return, of March 1875, was 2,770,525 *l.*, against which they had coin to the amount of 538,980 *l.*

2730. Then the proportion held by the other banks, if you excepted the Bank of Ireland, would be larger than one-half?—Yes, taking them altogether.

2731. What other joint stock banks are there in Ireland, not being banks of issue?—The Hibernian Bank, the Munster Bank, and the Royal Bank.

2732. What denominations of notes are more convenient to the Irish traders and farmers?—£. 5 notes and under.

2733. What are the seasons of the year when the note circulation is highest and lowest, and what are the causes of the difference?—The circulation is highest in the spring, when the large fairs take place, and the butter season commences, and after harvest, when also large and numerous fairs and markets are held, and the corn, cattle, and bacon trades are open; and in the summer months just preceding harvest, in consequence of the inactivity of operations at that period, the circulation is lowest.

2734. Has the note circulation of Ireland increased since 1845?—Only to the extent of a few hundred thousands.

2735. What is the cause of its not having increased?—The great decrease in the population.

2736. But notwithstanding the great decrease in the population, it has increased?—It has increased to the extent of a few hundred thousands; in fact, the increase is now about half a million.

2737. In what years has that increase taken place?—Since 1857. The circulation rose considerably after 1845, for a time, owing to the public works in Ireland, the making of roads, and the paying of the people, and it went, I think, 1,000,000 *l.* over the authorised circulation; but owing to the emigration after the famine years, it went down until the year 1857; and it began then to increase, and it has gone up to its present figure.

Mr. *Goschen*—continued.

2738. Can you state to the Committee the amount of the circulation in 1857?——

2739. Can you state from memory, at the present moment, what has been the increase from the lowest point?—I think that the circulation ran down to 5,300,000 *l.*, and it has since increased by 1,500,000 *l.* up to its present figure.

2740. Has it increased during the last five years?—Yes.

2741. Is the increase progressive at present?—It is rather inclined to increase still.

2742. You have seen no signs of the increase being checked?—I have not.

2743. Have there been any improvements in banking arrangements in Ireland during the last 20 years which have economised the use of bank notes?—I do not know that there have, excepting that the people generally are becoming more acquainted with banking; and the issue of cheques, of course, takes the place now, to some extent, of notes.

2744. Has there been a notable increase in the use of cheques?—Yes, most decidedly.

2745. That would, *pro tanto*, create an economy in the use of bank notes, would it not?—Yes.

2746. So that if the number of bank notes in circulation has increased, it has increased in spite of banking arrangements, which might have caused it to diminish, unless there had been other causes at work?—It has.

2747. Do you look upon the increased prosperity of the country as one of those causes?—Most decidedly.

2748. In what way is coin chiefly employed in Ireland?—In the payment of wages.

2749. Are wages paid in sovereigns and half-sovereigns to any considerable extent?—Generally in half-sovereigns and silver; more in half-sovereigns than sovereigns.

2750. As a rule, what particular classes of the community actively employ bank notes?—The agriculturists and traders.

2751. Are there more bank notes in the agricultural counties and towns than in other parts of Ireland?—Yes, decidedly.

2752. Is that because they are less accustomed to the banking arrangements?—That is it; and, of course, their transactions are small, and they are accustomed to use the small denominations of notes.

2753. When you say that coin is chiefly employed in the payment of wages, are sovereigns much employed in that way?—No; half-sovereigns more so than sovereigns.

2754. Generally speaking, when the wages amount to more than 1 *l.*, would they be paid in 1 *l.* notes?—Yes; they prefer the notes to the gold.

2755. How many depôts has the National Bank for coin held against their note circulation?—Four.

2756. Could you explain to the Committee the mode in which you hold your coin against your notes?—We furnish weekly returns to the Commissioners of Inland Revenue of the amount of notes in circulation on each Saturday evening, and the daily amount of specie on hand at the depôts. The average amount of circulation for four weeks is thereby ascertained, and the amount of specie held is found to be adequate. I have forms of the returns here, if you wish to see them.

Mr. *Mills.*

3 June 1875

Mr. *Mills.*

3 June 1875.

Mr. *Goschen*—continued.

2757. Will you put in one of those forms?—Yes. (*The same was delivered in,* see *Appendix.*)

2758. What tax is payable on your depôts?—£.30 a year each, that is 120*l.* a year on the four depôts; or more correctly speaking, the bank takes out annually four banking licences of 30*l.* each, so that the tax is not strictly on the depôts.

2759. Is that under a clause in an Act of Parliament?—No; that is by an arrangement which was made at the time with the Commissioners of Inland Revenue.

2760. Then you do not pay on your branches?—No, we pay on the general circulation of the bank 7*s.* per cent.

2761. But what is this 30*l.* for?—That is for only one of the four depôts, making 120*l.* a year altogether, or for the licences.

2762. You have 76 branches, but you do not pay on those?—No.

2763. You only pay on the depôts where you hold coin?—We only pay on the depôts where we hold coin against the circulation, or as I said before, four licences.

2764. Under what arrangement is that?—Under the Act of 1845.

2765. Will you state the effect of that clause?—It is 8 & 9 Vict. c. 37, s. 16, and the section is as follows: "And be it enacted, that every banker who after the 6th day of December 1845, shall issue bank notes in Ireland shall, on some one day in every week after the 13th day of December 1845 (such day to be fixed by the Commissioners of Stamps and Taxes), transmit to the said Commissioners a just and true account of the amount of bank notes of such banker in circulation at the close of the business on the next preceding Saturday, distinguishing the notes of 5*l.* and upwards, and the notes below 5*l.*, and also an account of the total amount of gold and silver coin held by such banker at each of the head offices or principal places of issue in Ireland of such banker at the close of business on each day of the week ending on that Saturday; and also an account of the total amount of gold and silver coin in Ireland held by such banker at the close of business on that day; and on completing the first period of four weeks, and so on completing each successive period of four weeks, every such banker shall annex to such account the average amount of bank notes of such banker in circulation during the said four weeks, distinguishing the bank notes of 5*l.* and upwards, and the notes below 5*l.*, and the average amount of gold and silver coin respectively held by such banker at each of the head offices or principal places of issue in Ireland of such banker during the said four weeks; and also the amount of bank notes which such banker is, by the certificate published as aforesaid, authorised to issue under the provisions of this Act; and every such account shall be verified by the signature of such banker or his chief cashier, or in the case of a company or partnership, by the signature of the chief cashier or other officer duly authorised by the directors of such company or partnership, and shall be made in the form to this Act annexed, marked (A); and if any such banker shall neglect or refuse to render any such account in the form and at the time required by this Act, or shall at any time render a false account, such banker shall forfeit the sum of 100*l.* for every such offence."

2766. I presume that the words "head offices or principal places of issue" in your return, mean the four depôts where you hold the gold against notes?—Yes.

Mr. *Goschen*—continued.

2767. Then your system is, that you have so many branches, and you have four depôts at which you hold a certain amount of coin?—Yes, as against the excess circulation.

2768. Then do you hold coin in your other branches?—Yes.

2769. But only for your banking operations?—For general purposes.

2770. Are your notes made payable at each of those four principal places of issue?—They are payable at all the branches.

2771. But, as a matter of fact, you do not find that very many notes are presented for payment, I presume, at the small branches where you are not obliged to hold coin?—They are; but, of course, coin is not demanded. The coin that comes in at our branches usually comes in in the general course of business, but if notes are presented for payment it is not for coin; that is only in the case of a run.

2772. You have, I think, misunderstood my question. Do you find that you have often had to pay gold as against your notes in your small branches; that people come to exchange the notes for gold?—No, we find it the reverse; that they come in with gold to get it changed for notes.

2773. And you are rarely called upon to pay gold, except for the purposes of wages or for your current business, in your small branches?—Yes.

2774. Have you had any case of a run?—The last run upon the bank was in the crisis of 1857, when the Western Bank of Scotland, the Liverpool Borough Bank, and other large houses came down. It was very general for a couple of months. Since that time practically we have had no run upon the bank.

2775. Did any banks in Ireland break at that time?—No; but the Tipperary Bank in the year 1855 had stopped payment, and that added to the alarm.

2776. Has the Tipperary Bank an issuing bank?—No, they issued the Bank of Ireland notes under a specific arrangement.

2777. You cannot state any case to the Committee of a bank of issue failing in Ireland?—No, not since 1845.

2778. Was the run on your bank (it is so long ago that I suppose you will not object to stating it), as regards the notes, or merely as regards deposits?—The run of 1857 was a general run, and we found that the note circulation was more affected in that run than at any other time; but the run upon the deposits, of course, was pretty heavy too.

2779. Then your system was tested rather severely at that time?—It was, in 1857.

2780. Were any serious inroads made upon the gold and silver that you held against your issue and circulation?—There was.

2781. Did you find that as much coin was drawn from you as represented the issue in circulation?—We did.

2782. Did you fall below the point; did you have to pay a certain portion of your authorised issue?—We just came down to it within a few thousand pounds. We came down from 1,300,000*l.* and odd to almost our authorised circulation of 852,000*l.*

2783. So that you were able to meet the notes which you were holding against gold?—Yes.

2784. But

Mr. *Goschen*—continued.

2784. But you did not come much below your authorised issue?—We did not come below it, but we came within a few thousand pounds of it.

Sir *Graham Montgomery.*

2785. How many hours did the run last?—It commenced in the beginning of October 1857, and lasted on till the December following.

Mr. *Goschen.*

2786. Did you have to draw for coin upon London to any considerable extent?—Yes, of course. Our reserves are held in London for that purpose.

2787. London represents for you the centre from which you derive your reserves in case of necessity?—Yes, in case of necessity.

2788. Could you state the amount of coin which you had over from London in those two months?—I could not say exactly, but I am sure we had half a million.

2789. In fact, you got that half million which you had to pay against your notes, from London through your reserves?—We had to get gold from London for the purposes of supplying the vacuum, first paying out the gold.

2790. You first paid away the gold which you held, and then you had to draw an amount from London to supply the vacuum?—Precisely.

2791. Would it be more advantageous to you to have the averages taken quarterly instead of every four weeks?—It would.

2792. Why?—Because it would be more profitable.

2793. Do you mean that you would have to hold a smaller amount of gold?—No, but we find that it would just take in the extremes, the highest and the lowest; and of course the average then would be lower than the present average, and it would not be necessary then to hold so much gold.

2794. Do you think that you hold unnecessarily large quantities of gold at present?—That is our idea.

2795. You would find it more profitable to hold less gold than you do now?—Yes, most decidedly.

2796. Supposing that your issue were withdrawn from you, and that you were therefore relieved from the necessity of holding gold against notes, would you be obliged to hold for your general banking business a large proportion of the gold that you hold now or not?—Of course not. It would be sufficient to hold, I think, one-third of what we hold at present.

Mr. *Orr Ewing.*

2797. But then you would require to provide notes for the convenience of the public, and you would require to deposit gold for that?—Not necessarily gold, but securities.

Mr. *Goschen.*

2798. In the one case you would deposit securities which would be giving you interest, and in the other case you would hold gold which would give you no interest?—Yes.

Mr. *Orr Ewing.*

2799. It would be as expensive to deposit securities as to hold gold, would it not?—If we had to deposit securities, we should get interest upon the securities, whereas with gold of course there is no interest accruing.

Mr. *Goschen.*

2800. It would be less expensive to you to deposit securities than to deposit gold, would it not?—Yes, of course.

2801. At the last date what was your excess of circulation over the authorised circulation?—In March 1875 our circulation was 1,317,000 *l.* against which we held to the amount of 808,000 *l.*

2802. Will you state it in a somewhat different form; what is your issue authorised by certificate?—£. 852,269.

2803. That leaves issued against gold 465,000 *l.*, does it not?—Yes, that is the excess.

2804. On the other hand, you held 808,000 *l.* of gold?—Yes; of gold and silver coin.

2805. That would leave 343,000 *l.* of gold against your general business, would it not?—Yes.

2806. What are your total liabilities exclusive of the note circulation and of your capital?—I cannot state that. We only make up our accounts at the end of each half-year.

2807. Would the figures which you have handed in be approximately right?—They would; we generally hold about the same. I think you will find that in that return the gold and silver was 941,000 *l.*; that is even in excess of the last which I gave you.

Mr. *William Shaw.*

2808. Does not that include London as well as Ireland?—It does. Of course our balance-sheet is made up of London as well as of Irish business.

Mr. *Goschen.*

2809. You have an entry, "Cash on hand at the Bank of England and at call;" but cash on hand represents not gold and silver, but it means your balance at your bankers?—And also the Bank of England notes that we should have in the till at the different branches in England.

2810. I see that at this time your liabilities were about 8,500,000 *l.*?—Yes.

2811. That includes acceptances, does it not?—The acceptances are set forth separately.

2812. But the figures are these: 8,471,888 *l.* due by the bank on deposits and current accounts; acceptances at bankers and drafts on security, 16,000 *l.*"; the two together would roughly be, 8,500,000 *l.*?—Yes.

2813. Would 8,500,000 *l.* generally represent your liabilities?—We have been progressing every year for the last six years, and that represents about the highest point within the last six years.

2814. And against that you hold, if you deduct that amount of gold that you are obliged to hold against the notes, about 350,000 *l.* in coin?—Generally so.

2815. You would accept these as general figures?—Yes.

2816. Can you state how much of that 350,000 *l.* which is the aggregate amount of coin that you hold, is in England, and how much is in Ireland?—I have not got the proportions, but I can obtain them, of course. The gold which we hold in London is very small.

2817. In your metropolitan branches?—Yes.

2818. You would state, generally, that the bulk of your coin is kept in Ireland?—Yes.

2819. Could you tell the Committee how much you hold on an average in each branch?—We make it a point never to leave any branch with-

Mr. *Mills.*

3 June 1875.

Mr. *Goschen*—continued.

out a few thousand pounds. Some of the ordinary branches hold 10,000 *l.* or 15,000 *l.*, but of course there are some very small branches where we find that a few thousand pounds are quite enough. In fact, you will find that the gold held for ordinary purposes outside the excess (say that it is 150,000 *l.*) is about 2,000 *l.* for each branch; we have 76 branches.

2820. Then on the supposition that you held no gold against your notes, you would be obliged to hold about 150,000, you think, for the ordinary business of your branches?—Yes, certainly, at least that, if not more.

2821. That would be exclusive of the gold that you would hold at your principal banking places, and in Dublin?—Yes. Dublin is one of the four depôts.

2822. But you would have to hold a certain amount in Dublin in any case?—In any case.

2823. Of the 350,000 *l.* which you have described as being held in excess of what you are obliged to hold against the notes, 150,000 *l.* must be held in the branches; that would leave about 200,000 *l.* of gold which you held at the principal depôts, and in England?—Yes, that would about represent it.

2824. You cannot state, I suppose, offhand with regard to your liabilities, how much you owe at the various branches, and how much at the head establishments?—No, they vary so much; sometimes we owe 30,000 *l.* at one branch, and 40,000 *l.* at another, and 150,000 *l.* at another, and so on.

2825. You do not remember to have made a calculation saying that your local business at the branches involved so many liabilities, and that your head office business involved so many?—No, we did not enter into that calculation.

2826. Is any great portion of your liabilities in London?—No, they are not at all in proportion to our liabilities in Ireland.

2827. Can you state the amount of your English deposits?—On the 31st of December 1874, our current accounts in London were nearly 1,500,000 *l.*

Mr. *William Shaw.*

2828. Does that include deposits?—Our deposits are very small; we do not encourage deposits in London, we do not even advertise in London for them.

Mr. *Goschen.*

2829. Will you state your grounds for not encouraging them?—We consider that the rate allowed by London banks upon deposits is so close upon the bank rate that the risk of employing the money is more than compensates for taking it from the public. We think that it does not pay.

2830. The Irish business, upon the whole, as regards deposits is so much better, that you do not care about competing for the London business as regards deposits?—We do not care about London deposits.

2831. You think that the English bankers run that rather close?—Yes, and of course, furthermore, the London banks can manage their own affairs here, and have officers here, and it is a different thing; but our experience is, that it is rather a risk taking deposits, and that a small margin of profit does not pay.

2832. It has never struck you that the profits of the London bankers upon their deposits were so large as to hold out any very great attractions to you?—It all depends upon what they call deposits; I should say that it is upon their cash balances upon which they pay no interest, that they make their profits.

2833. You would value those cash balances upon which no interest is paid?—Yes, of course.

2834. But the allowance of interest which is given by the London bankers, so far as your experience goes, is as high as prudence justifies?—We think even rather higher.

2835. Do you accept in London?—Our acceptances are very small; in fact they are only for the convenience of our customers who cannot do without foreign payments, but they are only 16,000 *l.*

2836. What is the duty payable upon your note circulation?—Seven shillings per cent.

2837. You have stated, I think, how the amount upon which duty is paid is ascertained?—Yes; I have put in the form of the return.

2838. To return for one moment to the question of the gold that you hold; do you think that you hold less or more gold than other banks in Ireland?—We are the largest specie holders in the kingdom next to the Bank of England. We hold more gold and silver than any other bank in the United Kingdom, next to the Bank of England. We hold 941,000 *l.* in specie.

2839. If we were to examine other banks of issue in Ireland with regard to the gold that they hold in proportion to their liabilities, the proportion of gold to liabilities would be smaller than in your case, you think?—Yes, that is so according to the official returns of all the banks. That is from the "Gazette."

2840. You have stated that your authorised circulation is 852,000 *l.*, that the average circulation on the 20th of March 1875 was 1,317,000 *l.*, and that your average amount of gold and silver held was 808,000 *l.*?—Yes.

2841. I see that in the case of the Northern Bank of Ireland the circulation is 243,000 *l.*, the total circulation being 471,000 *l.*, and the average amount of gold and silver held being 307,000 *l.*?—Yes, the Northern Banks hold largely in proportion to their circulation.

2842. But as they issue 230,000 *l.* more than their authorised circulation, and hold 307,000 *l.* of gold and silver, that would only leave 70,000 *l.*, would it not, for their general business?—Yes.

2843. Have you the means of stating, from any papers in your possession, the liabilities of the Northern Bank?—No; most of the banks in Ireland do not publish statements.

2844. When did your bank come to London?—In April 1854; that is, of course, to open for banking purposes. The bank has always been in London since its foundation.

2845. When were you admitted to the Clearing House?—On the 19th of March 1859.

2846. Was there any opposition to your being admitted before that time?—There was; we were kept out of the Clearing House for five years.

2847. On what grounds?—I have copies of the replies, which were to the effect simply that they declined the application.

2848. Was the point raised by the London bankers at the time, that it was illegal for you to come to London?—The Bank of England opposed us, as Mr. Tatham explained; but afterwards they yielded to our coming.

2849. Why

Mr. *Orr Ewing.*

2849. Why did the Bank of England withdraw their opposition?—It was shown by our constitution, or deed of settlement, that we were entitled to bank in London, and that we had a legal right to establish ourselves here, and eventually the Bank of England yielded.

2850. Is that special to your bank?—It is special to us, because it was provided for in our deed of settlement.

2851. Was that a charter?—No, there were several Acts recited in our deed of settlement which Mr. Tatham referred to, and as it was originally intended to bank in England, and the objects of the society were set forth in the deed of settlement, it was held that we were legally entitled to start in business here.

2852. But that deed of settlement is a private document of your own, is it not?—Yes.

2853. And it could therefore give you no legal rights?—It was admitted that we could come to London.

2854. You do not hold the opinion that you alone, of the Irish banks, had a right to come to London?—No, we only know that we have the right.

Mr. *Goschen.*

2855. You only say that you have the right?—Yes.

Mr. *William Shaw.*

2856. Did you get into the Clearing House with the joint stock banks?—No, we were not admitted until the 19th of March 1859.

Mr. *Goschen.*

2857. Did the National Bank advance money in London previously?—They did for the purpose of holding reserves.

Sir *Graham Montgomery.*

2858. By means of an agency?—We always had our head office in London.

Mr. *Goschen.*

2859. Do your operations bring capital from Ireland to be employed in England, or capital from England to be employed in Ireland?—We find that as regards the business which we do in London, the resources which we have in London are sufficient to supply the requirements of the business.

2860. Do you employ a portion of your Irish deposits in London?—Not for the purpose of business with the public.

Mr. *Orr Ewing.*

2861. For what purposes?—Of course we make it a point to keep a certain proportion of reserves to liabilities.

Mr. *Goschen.*

2862. But those reserves which you hold in London are practically so much capital added to the available capital to be lent out in London?—Precisely so.

2863. Having establishments in the two countries, you are not practically carrying the deposits which you receive in London to employ them in Ireland; but you get more money in Ireland than you employ in Ireland, and a portion of that you employ as reserves?—Yes; we do not employ the Irish money with the public here in London.

Mr. *Anderson.*

2864. But you give it to other people to employ, which is the same thing, is it not?—It is principally in investments; in securities, and so on.

Sir *John Lubbock.*

2865. But that was done before you opened for banking in London?—Yes.

Mr. *Goschen.*

2866. Did the fact of your changing the nature of your establishment in London from an agency to a branch, or to branches, make much difference in the amount of money which you brought over to England?—Not in the amount of money which we brought over to England; but on opening in London it was considered necessary by the then board to increase the capital, and they increased the capital from 600,000 *l.* to what it is at present, viz., 1,500,000 *l.*

2867. Where did you raise the greater part of that capital, in England or in Ireland?—Principally in Ireland, but of course some was raised here.

2868. You raised your capital with a view of doing metropolitan and English business?—Yes, as well as Irish.

2869. What was the proportion that you added to your capital?—I think that it was originally 600,000 *l.*, and then they doubled it, and they capitalised 300,000 *l.* more, making 1,500,000 *l.*

2870. So that you practically raised your capital from 600,000 *l.* to 1,500,000 *l.*?—Yes.

2871. Out of your total liabilities, I understood you to say that about 1,500,000 *l.* was due to the metropolis?—Yes.

2872. Has the result of your coming to London exceeded your expectations, or has it equalled your expectations, or has it fallen short of them?—I cannot say that it has. Since the crisis of 1866 we have improved somewhat, but not very much in London.

2873. Then, does it not come to this; that you have to pay dividends to your shareholders on twice the amount of capital, while you have increased your business in London by only 1,500,000 *l.*, compared to 7,000,000 *l.*?—Yes. But the deposits in Ireland at that time were not as high as they are at the present time. The liabilities of the bank on deposit accounts have considerably increased in Ireland as well.

2874. Would you have felt it necessary, with a view to the increase of your Irish business, to have increased your capital, if you had not come to London?—I think that if the bank had remained strictly an Irish bank it would not have increased its capital.

2875. It appears that you have doubled your capital, and that you have added, through the London business only, a comparatively small proportion to your former business; will you explain to the Committee in somewhat greater detail the result of the operation, and state whether it has been profitable or otherwise?—I do not think that it has been profitable in that sense; that is to say, that our resources have not increased in such a proportion, that to work the business with a capital of 600,000 *l.*, as before, we could pay so high a dividend now as we could then.

2876. But the accession of business in London has scarcely been equal to the obligation imposed

Mr. *Mills.*

3 June 1875.

Mr. *Goschen*—continued.

upon you of paying dividends upon a much larger capital?—That is the case.

2877. At the same time you have followed the prudent course of not attempting to push your business in London?—We do not attempt to push our business in London, especially in the deposit line; we have never even put an advertisement in the papers.

2878. Is your business in London (if you have no objection to stating it) a semi-Irish business, or do you do a large English business?—At the commencement it was purely English, but since we opened the metropolitan branches, a good deal of the Irish element has been introduced through Irish connections.

2879. Through Irish connections in London?—Yes, and of course through Irish people having friends in London and introducing them to us.

2880. When did you open your London branches, apart from the head office?—In 1862, I think, we commenced at Bayswater.

2881. Do other Irish banks of issue lend money out in London?—They do, and for the same purpose as ourselves; that is to say, for reserves.

2882. Do you look upon your London business as an adjunct to your Irish business which you conduct for the purpose of facilitating your Irish business, or is it a remunerative and profitable business in itself?—We think that it is profitable in itself; but at the same time it affords great facilities for carrying on our Irish business.

Mr. *Goschen*—continued.

2883. Would you contend that the fact of the National Bank having a note circulation in Ireland assists it in any way in developing business in London?—Not in the least.

2884. Do you see any analogy between yourselves and the foreign colonial banks which have note issues abroad?—Simply this, the amount of note circulation abroad of the foreign and colonial banks is more than the whole of that of Ireland, and it is double that of Scotland.

2885. Do you know of any of those colonial banks which do business by means of cheques?—Not exactly through cheques; they do not open customers drawing accounts, but they advertise for deposits, and they do almost any branch of banking business, except opening customers' accounts.

2886. Is not the taking of deposits without the other adjunct of open accounts and cheques, and so forth, a business in which many other people might engage besides bankers?—No doubt; any public company, or any individual who had the credit might engage in such business.

2887. Therefore they touch your business in that portion of the business which is not special to banking?—Yes.

2888. But as real bankers who do business over the counter, and have drawing accounts and cheques, there are none of these foreign or colonial banks that you know of that compete with you?—I am not aware of any.

Monday, 7th June 1875.

MEMBERS PRESENT:

Mr. Anderson.
Mr. Backhouse.
Mr. Balfour.
Mr. Stephen Cave.
Mr. Chancellor of the Exchequer.
Mr. Beckett Denison.
Mr. Orr Ewing.
Mr. Goschen.
Mr. Hubbard.
Mr. Kavanagh.
Mr. Sampson Lloyd.
Sir John Lubbock.
Sir Graham Montgomery.
Mr. Mulholland.
Mr. Mundella.
Mr. William Shaw.
Mr. Torr.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. EDWARD JAMES MILLS, re-called; and further Examined.

Mr. *Mills.*

7 June 1875.

Sir *John Lubbock.*

2889. It has been stated to the Committee that the Provincial Bank of Ireland have their head office and do banking business in London; that is not the case, is it?—They do not do banking business in London directly, they do it through agents.

2890. In your English business do you conform to the general course of English charges?—Yes.

2891. As regards your Irish business, have you any general tariff of charges in Ireland like that of the Scotch banks?—No, not a general charge; it depends upon the locality and the expenses which we are at for doing business in that locality.

2892. But in each locality do the banks agree amongst themselves as to the charges to be made?—No, there is no direct understanding, it is a matter of option.

2893. As a matter of fact, are the charges, generally speaking, much the same?—Of course it finds its own level.

2894. And the allowances of interest, I suppose, are much the same?—Much the same.

2895. I think the National Bank in London makes use of the country clearing for the collection of country debts?—Yes.

2896. When cheques are sent to your Irish branches by English banks, what commission do you charge for paying them?—One shilling per cent.

2897. Are you sure that that is the case in all the branches?—Yes.

2898. The English country drafts which go through the country clearing, are paid in full, are they not?—They are.

Mr. *Orr Ewing.*

2899. You stated that you circulated bullion upon the payment of wages. I presume that it is only half-sovereigns to make it easier counting out for you, than having a large sum in silver?—Yes.

2900. Are sovereigns ever paid in wages?—They generally use the 1 *l.* note when the amount is over a sovereign.

Mr. *Orr Ewing*—continued.

2901. And you do that, not for convenience, but because the people of Ireland prefer the bank note?—They prefer the bank note to the sovereign.

2902. You stated, did you not, that you did not compete with the English banks for deposits, or for English business?—No; that is to say, for deposits upon which we pay interest. We do not encourage deposits upon which we have to pay any interest.

Mr. *Sampson Lloyd.*

2903. Is that in London?—Yes.

Mr. *Orr Ewing.*

2904. And your reason for not doing so, is that the margin between what is paid for deposits in London and that which is charged for discounts or loans by bankers of any kind is so small that you consider it to be unprofitable?—We consider that it does not pay for the demand to employ it at once, and to employ it continuously and for the risk attending it.

2905. Are you aware that there are a great many very prosperous banks in London who conduct their business upon these principles which you seem to avoid?—That must depend upon the amount of balances that they have for which they pay no interest, and the profit upon the one is a set-off against the other.

2906. What is your dividend?—At present we pay 11 per cent.

2907. Do you know the London and Westminster Bank?—Yes.

2908. Are you aware what dividend they pay?—Yes.

2909. What is it?—It has been as high as 22 per cent.

2910. Is that the highest?—I cannot remember exactly the highest now, but it certainly has been as high as that.

2911. Therefore they pay double what you pay?—Yes.

2912. Do

Mr. *Mills.*

7 June 1875.

Mr. *Orr Ewing*—continued.

2912. Do they not conduct their business upon the principle of taking deposits to the largest extent that they possibly can, and lending them out to the public upon what you would consider to be a ruinous rate?—I would rather not offer an opinion upon that.

2913. Are you not aware that the London and Westminster Bank make their money entirely upon the margin between the deposits and the loans which they make to the public?—I should say not entirely. I should say that it is upon the credit of balances upon which they pay no interest. The deposits upon which they pay interest are only a matter of proportion.

2914. Do you wish to convey to the Committee the idea that any amount of deposit which they receive upon which they pay interest is not profitable to them?—No, I do not mean to say that it is not profitable; but it is a question of the amount of the profit.

2915. Can you state to the Committee what is the reason why what is good for the London and Westminster Bank would not be good for you?—I would rather not answer a question of the management of another bank.

2916. Are we to hold your reason to be that it is because the margin is so small that it does not leave profit, that you do not do that business?—That is what guides our directors.

2917. Your directors are of that opinion also?—Yes.

Mr. *Mundella.*

2918. You were asked if there was any fixed tariff or rate prevailing in Ireland by arrangement amongst the bankers; what was your answer to that?—As regards the charge for advance, there is no particular rate as a matter of understanding; of course there is the bank rate, but as regards the locality, we charge different rates.

2919. But there is an active competition, is there not, in all parts of Ireland, as to the rates of banking?—Very active.

2920. And that of itself keeps the rate at the proper and reasonable market price; is that so?—Yes, it finds its own level.

2921. You were asked whether your bank could not profitably employ deposits as well as the London and Westminster Bank; is not the answer to that that the directors do not care to extend their business in London at any risk; is it not from a Conservative feeling on the part of the directors?—Yes; it is the idea that they must act on the side of prudence.

2922. And for their large capital and deposits they find ample scope in Ireland; is not that so?—It is so.

2923. I noticed your answers the other day to some questions about Bank of Ireland notes; are Bank of Ireland notes a legal tender or not?—They are not a legal tender in Ireland.

2924. Then the Bank of Ireland is simply a private company, the same as any other bank in Ireland?—Yes, it is an ordinary trading institution.

2925. Upon what ground do you say that Bank of Ireland notes are not a legal tender?—On the last Committee on the Bank Acts, of 1858, the Governor and Deputy Governor admitted that they were not a legal tender, and I can give the numbers of the questions and answers.

Mr. *Mundella*—continued.

2926. Did they state that in evidence before a Committee of this House?—They did.

2927. Upon what principle is the Bank of Ireland conducted; is it a limited bank or an unlimited bank?—Its capital is fully paid up, and there is no liability.

Mr. *William Shaw.*

2928. I suppose that we may infer from your evidence that your business in London, as banking business, does not pay?—No, you cannot infer that; I stated that the resources held in London were sufficient to make our London business a profitable one.

2929. You do not mean to say that your profit on a million and a half of money pays for your London business, do you?—Yes, if you consider the balances upon which we pay no interest.

2930. Do you find your London business of much use to your Irish business?—One tells upon the other; one is a facility to the other.

2931. Is it usual for you to do business for your Irish customers in London without charge?—That depends upon circumstances; for instance, some of our customers keep accounts in Ireland as well as in London, and when they keep double accounts in that way, we make a consideration and do not charge.

2932. But they must keep an account in London as well as in Ireland?—That is the rule.

2933. Your rate varies in Ireland, I suppose, both for deposits and for charges?—Not for deposits; our rule is not to allow more than the Bank of Ireland and the Provincial Bank do on deposit.

2934. That is carried out, I suppose?—That is carried out.

Mr. *Kavanagh.*

2935. I suppose your experience of matters in Ireland is very great, is it not?—I have been for many years in Ireland.

2936. Your experience in banking matters is not confined to London, is it?—No, it is not; I have been inspector in Ireland for some years.

2937. Do you say that you do not encourage deposits in Ireland upon which you have to pay interest?—No, in London.

2938. That evidence was confined solely to London?—To London.

2939. Has your bank extended its branches much within the last 10 or 12 years?—Since the year 1870, I think we have opened about 25 branches in Ireland.

2940. And the other banks in Ireland have done the same, have they not?—They have opened extensively also; the Bank of Ireland, and the Munster Bank.

2941. They have all extended their branches?—The Bank of Ireland and the Munster Bank very much so; but the others not so much so; I do not think that the Provincial Bank has opened a branch for the last five years.

2942. Do you consider that there is sufficient banking accommodation in Ireland, taking a general view of the whole country?—I think that the country is very fairly accommodated at present.

2943. You could not call it starved for want of banking accommodation?—Not at all.

Mr. *Backhouse.*

2944. The Bank of Ireland is under Royal Charter, I presume?—The Bank of Ireland was first

Mr. *Backhouse*—continued.

first established under Act of Parliament, in 1781, I think, and afterwards by Charter.

2945. Are you aware that by the Act of 1821 the Bank of Ireland notes are a legal tender in respect of public revenue?—I am not; in order that I should be prepared to give a proper answer if I were asked a question of that kind, I called at the Bank of Ireland, in Dublin, last week, and I was informed that Bank of Ireland notes were not a legal tender under any circumstances.

2946. Are you aware that a case was decided on the Leinster Circuit, in which it was held that Bank of Ireland notes were a legal tender?—I am not.

2947. Then, in fact, all your information is what you have heard, and not from any absolute legal knowledge upon the point?—Excepting you take the evidence of the governor and deputy governor before the Select Committee of 1858.

2948. Do you know anything about the savings banks and post office savings banks in Ireland?—Not excepting from what has been officially returned.

2949. Have their deposits increased very largely during the last 10 or 15 years?—According to Mr. Hancock's statistics, which are furnished to the Irish Government, the deposits in in trust and post office savings banks were 2,150,000 *l.* in the year 1864.

2950. What are they now?—In 1874 they were 2,911,000 *l.*

2951. You said, I think, that you allowed the same rate of interest upon deposits as the Bank of Ireland and the Provincial Bank?—Yes.

2952. Do they vary their rate according to the rate charged by the Bank of England at all?—Yes, the Bank of Ireland marks the rate upon the change in the Bank of England rate, and then we follow and increase or decrease the rate as the case may be.

2953. What rates do you allow; what is your maximum and what is your minimum?—Generally from 1½ to 2 per cent. under the Bank of Ireland rate. There is generally a difference of one-half per cent. between the Bank of Ireland rate and the Bank of England rate.

Mr. *William Shaw.*

2954. For discounts?—For discounts, of course. It all depends upon the Bank of Ireland; sometimes they allow within 1½ per cent. of the bank rate, and sometimes within 2 per cent., but we adopt whatever the Bank of Ireland rules as regards rates of interest on deposits.

Mr. *Backhouse.*

2955. You say that you do not encourage deposits in London because the rate allowed is so high?—Yes, the margin of profit is so little and the risk so great.

2956. I suppose you are aware that at some of the meetings of the London banks during the last year, they have been grumbling at the difficulty of employing money profitably, when they were allowing so high a rate of interest?—I believe that that has been so.

2957. In your opinion, where such a high rate of interest is given, is it possible, without loss, to keep the large reserves which it is desirable in sound banking to keep?—I will not go so far as to say that it is impossible to do it without loss; but the margin of profit is so slender that it does not pay.

Mr. *Backhouse*—continued.

2958. In order to make profit you would have to take bills at a higher rate, involving perhaps greater risk?—Precisely.

2959. Do you find that your Irish deposits increase much?—The Irish deposits have increased regularly for the last six years with our bank.

2960. And that I suppose you attribute to the increased wealth of the country?—It must be increased prosperity, because under every heading, according to the statistics, the wealth of the country has increased.

Mr. *Sampson Lloyd.*

2961. Is it or is it not an additional reason why you do not allow so high a rate of interest on deposits as you might otherwise do in London, that if you allowed in London a higher rate than you are able to get money for, at your Irish branches, your Irish customers might hear of it, and might claim a correspondingly high rate in Ireland?—That really does not govern us; it is the question of risk and profit.

2962. Do you or do you not, in order to keep your deposits together at times when the London market rate is excessively low, say 1 per cent., continue to give the farmers and other depositors a somewhat higher rate, say an average rate of 2 or 2½ per cent.?—We are altogether governed in Ireland in allowing the rates on deposits, by what the Bank of Ireland rules. According as money goes up in London the Bank of Ireland increases the rate, and as they go down they decrease it, but there is no average rate.

2963. Supposing that you followed implicitly the Bank of England rate, sometimes you would be allowing only 1 per cent. on deposits when the Bank rate might be 2 or 2½ per cent.: or do you not at those times, for the sake of keeping your depositors satisfied, allow a somewhat higher rate than those extremely low rates?—It would be only a question of one-half per cent.

Mr. *William Shaw.*

2964. When the Bank rate of discounting in England is 2 per cent., I do not think that you go so low?—We have gone as low as 1½ per cent. upon deposits.

Mr. *Sampson Lloyd.*

2965. May not that be considered a reason, inasmuch as at some periods of the year you gave a somewhat higher rate than the market rate, why you should not go up in your allowance for deposits at other times quite as high as the Bank rate or 1 per cent. under the Bank rate?—Of course like other bankers we are governed by the price of money, because there is a large commercial business which we do in Ireland, for which we must follow the Bank rate.

2966. Then, in point of fact, you do not slavishly follow the Bank rate either to its maximum or its minimum?—No.

Sir *John Lubbock.*

2967. You were asked with reference to your dividends and the London and Westminster dividends; but of course the amount of dividend that a bank would pay would depend very much upon the proportion of capital held to their liabilities?—Certainly.

2968. I think when you first opened in London, you did not apply to be admitted to the clearing?—

Mr. *Mills.*

7 June 1875.

Sir *John Lubbock*—continued.

clearing?—The first application was made on the 11th of August 1856.

2969. Then when you say that you were kept out of the clearing for five years, you merely mean that you were in London for five years before you entered the clearing?—Yes.

2970. I think that the policy of the National Bank has been to keep their acceptances low, and not to accept largely?—Quite so; the directors make it a rule not to accept at all except to oblige their own customers.

2971. I presume that, in your opinion, it is not desirable that a bank of issue should be largely involved in acceptances?—It is not.

2972. I think I understood you to say that although you have no general tariff of charges in Ireland, still that in each locality, practically, the banks agree upon the charges and rates to be allowed?—There is no verbal understanding; but of course one bank establishes a rate of its own, and it comes to the ears of others, and we are obliged, as I say, to find our own level.

2973. As a matter of fact they generally allow the same, but it is not by any general agreement?—It is not.

Mr. *Anderson.*

2974. With regard to your cost of opening branches in Ireland, I think you said you have no license duty to pay for opening a branch?—We pay a duty of 120*l.* a year, but that is nominally on the four depôts, or four offices of issue, as I explained.

2975. For every new branch that you open, have you anything to pay?—No, nothing whatever.

2976. That is one point in which you differ from the Scotch banks; you make your notes payable, you say, at all your branches?—Yes, at all our branches.

2977. Is that done by law, or is it done voluntarily?—It is simply to comply with the Act of Parliament of 1828.

2978. Then the law required you to make your notes payable at all your branches?—It required us to make the note payable at the office of issue. therefore for the purpose of establishing a circulation that would be issuable at any point, we are obliged to name all the branches upon the note, so that a note issued at any one point is payable at all the others.

2979. Does not the point of issue mean the original point of issue, and therefore the head office only?—No, it was never the head office only; by the Act of 1828 the notes must be payable at the office of issue; therefore, in order to make our notes available for issue at every point we are obliged to make them payable at every branch.

2980. Is there anything on the note which shows what is the office of issue?—Yes; on every note of issue is the name of every branch, "On demand, we promise to pay bearer at Athlone," and so on. Every branch is named on the face of the note.

2981. Still that does not quite meet my question; are you obliged to do this by law?—We are, in compliance with the Act of 1828.

2982. Is that an Irish Act alone?—It extends to Ireland.

2983. But you say that the Act of 1828 only says that the note must be payable at the office of issue?—That is so.

Mr. *Anderson*—continued.

2984. It seems to me that the office of issue is the original office of issue?—No, because we are obliged to supply all our branches with a set of notes.

2985. Do you count as issue every time you send out an old note that has been issued before?—Yes.

Mr. *William Shaw.*

2986. They are payable at every office?—They are payable at every office.

2987. But you only hold the gold at certain places?—We hold the gold at every branch, but as against excess circulation we only hold the gold at the four depôts.

Mr. *Anderson.*

2988. Have you any suggestion to make as to changes in the present restrictions?—I have no suggestions to make.

2989. Are you quite content with the present state of matters?—Quite so.

Mr. *Mundella.*

2990. Will you give the Committee the population of some of the smallest places where you have your branches?—In some places it is quite as low as 2,000, and in such instances it is the surrounding district that we depend upon, and not the immediate town.

2991. Do you think that there is room for any further expansion of branch banks at present in Ireland?—I think there is room to a certain extent, but, taking it all round, I think it is fairly banked.

2992. Wherever there is an opening for a new branch, the banks in Ireland are all anxious to avail themselves of it, are they not?—I think so.

2993. And very often they incur expense in opening branches at places so small that they have to close them again, is not that so?—That is rather seldom the case.

2994. Have there not been some branches closed—has not the National Bank closed some branches because it would hardly pay to keep them open?—Not permanent branches; they have closed sub-offices. There is the parent office and perhaps two sub-offices.

2995. The branch being opened two or three days in the week?—Yes, or on fair days once a month.

2996. That kind of business is rather dangerous, is it not?—It has proved so to be.

2997. I mean dangerous from carrying backwards and forwards the notes and gold?—Yes.

2998. There is risk about it?—Yes. In two instances our men have been shot.

Sir *John Lubbock.*

2999. You stated in one of your answers that in some of your branches you hold from 10,000*l.* to 15,000*l.*; I presume 6,300*l.* or 8,000*l.* you would consider sufficient, would you not, in a branch?—Quite, as an average; but there are points which we call auxillary depôts, so that, of course, a branch 20 or 30 miles off knows where to go at once for a supply of gold.

3000. On an average you would consider 6,000 sufficient?—Yes, or even less than that, because, of course, the depositors are rather of a small class.

3001. Are you speaking of gold, or of gold and notes?—Of gold only.

Sir *John Lubbock*—continued.

3002. But of gold and notes you would consider about 10,000 *l.* necessary?—Fully that.

Mr. *Mulholland.*

3003. Did you not state that gold to the amount of 2,000 *l.* was the average?—Yes; we never keep less gold than 2,000 *l.*, that is the minimum.

3004. And did you not also state that 75 branches required 150,000 *l.*?—No, that is a matter of calculation.

3005. It appears upon the evidence as if you assented to it?—As a matter of fact we never keep less than a few thousands, and with the very small branches we keep a couple of thousand.

Sir *John Lubbock.*

3006. Two thousand pounds is the minimum which you would consider desirable?—Yes, that is the minimum.

Mr. *Mulholland.*

3007. What is the total amount of gold that you have in your 75 branches?—That I have already given that return; if you take the depôts, we have 808,000 *l.*

3008. At the branches, how much?—At the branches, I should say it would be 250,000 *l.*

3009. That would be over 3,000 *l.* each, would it not?—Yes.

Mr. *Anderson.*

3010. Whenever you open a new branch, are your notes payable in gold at that new branch?—Yes.

Mr. *Anderson*—continued.

3011. Do you reprint your notes, with the name of the new branch printed on them, every time you open a new branch?—Yes, we do; the Stamp Office will allow us to anticipate the opening of branches in a town, and accordingly if we return to the Stamp Office once a year the names of the towns, even although we have not branches in them at the time in which we may open during the year, we anticipate it, and have the plate ready. Occasionally, of course, we are obliged to change it, and add a new name.

3012. Is not that obligation rather inconvevient and troublesome?—It is.

3013. Would you not like to get quit of it?—Yes.

3014. Does the paying of your notes in gold at all your branches act as an impediment to the opening of new branches?—No, not at all.

3015. It is not so great an inconvenience as that?—No, not at all.

Mr. *William Shaw.*

3016. Practically there is very little demand for gold by the public, I suppose?—Very little; in fact, they do not like the gold.

3017. It is more as a precaution that you keep it than for real wants?—Yes; the bank is obliged to send to London fully half-a-million of gold in each year, its surplus.

Mr. Peter Du Bedat, called in; and Examined.

Chairman.

3018. You are the Secretary, I think, to the Bank of Ireland?—I am.

3019. Will you kindly describe to the Committee the constitution of the Bank of Ireland; stating whether it has an establishment in London, or in Dublin only, and what it has in the way of branches and otherwise?—They have no establishment in London; they carry on all their business in London by means of agency. The Bank of England are our principal correspondents in London.

3020. Have you any privileges in Dublin?—None whatever; we have no monopoly whatsoever.

3021. With regard to your notes, are they a legal tender?—They are not a legal tender, except probably with the Customs. The Act of 1821 states that the Bank of Ireland notes may be received in that way, but in no other way are they a legal tender.

3022. Have you had a legal opinion upon that subject?—We have no legal opinion.

3023. There seems to be a good deal of doubt in the minds of many persons as to whether Bank of Ireland notes are, or are not, a legal tender, and it is stated that there was a case decided on the Leinster circuit a little time ago to that effect; has any such case come under your notice?—I fear that the barristers were astray there; they frequently come to me to ask me if a Bank of Ireland note is a legal tender, and I have told them that it is not, and I have had to give out sovereigns to make a legal tender.

Mr. *William Shaw.*

3024. Was that case tried at the assizes?—No. it was not tried because they asked the question, The usual thing is to ask the question "Do you object to Bank of Ireland notes?" and the party replying in the negative, the question was not decided legally.

Mr. *Kavanagh.*

3025. You say that Bank of Ireland notes are not a legal tender; are cheques a legal tender?—No.

3026. Then, in fact, there is no legal tender in Ireland but gold?—None but gold; there is no legal tender note in Ireland; but I think that the Act of 1821 makes the Bank of Ireland note a legal tender with regard to the payment of the revenue.

3027. Will you tell the Committee what is the amount of the authorised circulation of the Bank of Ireland?—£. 3,738,428.

3028. Has it kept up to that limit?—It has not.

3029. At about what period did it cease to be up to such limit?—The decrease commenced in about the year 1850.

3030. Can you account for the limit not being kept up to?—In my opinion there are, perhaps, three reasons for it: firstly, the very extensive issue and negociation of cheques; secondly, the fact of deposits being received now in Ireland to a very large extent which absorbed the notes, because no man would keep a note in his pocket if he could get interest for it; and the third rea-

Mr. *P. Du Bedat.*

7 June 1875.

Mr. *Kavanagh*—continued.

son I should say probably is the very large increase of the establishment of the National Bank; they have something like 100 branches and sub-branches; and, possibly, that has divided the circulation or decreased it.

3031. What was the limit which your circulation reached in the year 1850?—It was 2,500,000 *l.* then.

Mr. *William Shaw.*

3032. Did it not run down before 1850; in 1848 and 1847?—Before the year of the change, the circulation of the Bank of Ireland was about 6,000,000 *l.*

3033. In 1846 it was very high, I think?—In 1846 it was very high.

3034. And then in 1847 and 1848 it ran down to 1,000,000 *l.* under your highest point, did it not?—Not quite so much, I think.

Mr. *Orr Ewing.*

3035. Can you hand in a Paper showing the circulation from the year 1845 to the present year?—I cannot go so far back as that, but I have a Paper before me showing the circulation from the year 1857.

3036. Why did you select that to start with?—I took it arbitrarily. I happened to have it by me. I was summoned over so suddenly that I had not time to bring over more complete statistics.

3037. Could you put in a Paper giving the circulation from 1844?—Certainly.

Mr. *Kavanagh.*

3038. I think you said that you had the figures from 1857 to 1874?—Yes. I have taken the lowest and the highest circulation of the years, and not the average, which would be something more, because it is on a monthly average that we supply to the Government. I will give you the highest of the year, in the month of December. In June 1857 our circulation was 3,263,000 *l.*; in 1858 it was 3,281,000 *l.*; in 1859 it was 3,491,000 *l.*; in 1860 it was 3,090,000 *l.*; in 1861 it was 2,739,000 *l.*; in 1862 it was 2,419,000 *l.*; in 1863 it was 2,389,000 *l.*; in 1864 it was 2,396,000 *l.*; in 1865 it was 2,607,000 *l.*; in 1866 it was 2,488,000 *l.*; in 1867 it was 2,526,000 *l.*; in 1868 it was 2,881,000 *l.*; in 1869 it was 3,027,000 *l.*; in 1870 it was 3,116,000 *l.*; in 1871 it was 3,271,000 *l.*; in 1872 it was 3,254,000 *l.*; in 1873 it was 3,014,000 *l.*; and in 1874 it was 2,924,000 *l.*

3039. Have you the average of the last five years?—The average circulation of the last five years was as nearly as possible 3,000,000 *l.* annually, and upon that we paid a stamp duty of 54,000 *l.*

3040. Have you a large issue of bank post bills in addition to this note circulation?—We had formerly a very large outstanding bank post bill circulation; but it is now a mere bagatelle.

3041. What do you consider to be the cause of that great falling-off?—The negociation of cheques. The public do not require to come now and ask for post bills. They can issue their own cheques nearly all over Great Britain.

Mr. *William Shaw.*

3042. Have you generally a notion of how low it has fallen?—It is a mere trifle; about 60,000 *l.* At one time, when the bank had a monopoly, that circulation was about 2,000,000 *l.* I believe, but I should not like to state that positively.

Mr. *Kavanagh.*

3043. I suppose that the Bank of Ireland could increase its circulation now if it saw that it was advisable to do so?—In no way. They give all the accommodation that the public require. They give out notes freely, but if the circumstances of the country do not require it, the notes will not stay out.

3044. The Bank of Ireland is not prevented by law from increasing its circulation, is it?—Certainly not, up to a certain amount.

3045. The reason why you do not increase the circulation is because it is not wanted?—Exactly.

3046. To what do you attribute what I may call the surfeit of circulation?—Pretty much the same as the post bills, viz., the enormous circulation of cheques; and further, as I mentioned before, one of the banks has increased its establishments so very much that, naturally, the country not requiring the circulation, our circulation has decreased.

3047. What number of cheques do you daily receive in Dublin upon country towns in Ireland?—They frequently amount from 600 to 800 a-day; that is to say, cheques upon country towns in Ireland which the bank collect.

Mr. *Sampson Lloyd.*

3048. On Ireland only?—On all banks on all towns in Ireland.

Mr. *William Shaw.*

3049. On other banks, except your own?—Yes, on all banks in Ireland.

Mr. *Kavanagh.*

3050. The Bank of Ireland now receive money on deposit at interest from the public, do they not?—They do.

3051. When did they commence that business?—October 1864.

3052. Since that period, have you opened any additional branches?—Since that period we have opened 23 branches. At the beginning of the year 1865 we had 31 branches; in 1870 we had 41 branches, and in 1875 we have 55 branches; six of those are arranged to be opened, and for them we are building houses, and they will be opened very shortly; so that we have 55 branches now in the country in place of 31 when we first commenced our deposit business.

Mr. *William Shaw.*

3053. And you have 49 branches opened, and doing business?—Yes.

Mr. *Kavanagh.*

3054. As you are establishing branches so freely through the country, may it not be that in course of time your circulation would come up to the full authorised amount?—I have scarcely a doubt of it; and perhaps more.

3055. What, in your opinion, would be the effect of an increased power of issue being given to other banks?—I think that it would decrease, *pro tanto*, the circulation of the present issuing banks.

3056. What

Mr. *Kavanagh*—continued.

3056. What would be the effect on the Bank of Ireland, if the non-issuing banks required more or issued more largely its notes?—The result of that from experience is, that these notes issued by the other banks would come in in what we call the exchanges daily, and would ultimately require to be retired in London, by which the bank of Ireland, if the greater portion of the notes come in to them, are obliged to hold large resources in London, to draw on to pay for them.

3057. Then it would act adversely, I presame?—It would act adversely.

3058. Can you give the Committee any information about these exchanges?—After the Act of 1845, it was arranged amongst the banks that instead of paying the balances of the exchanges between those banks in gold, they should each hold a certain amount or quota of Exchequer Bonds. When that quota became reduced to a certain amount, the bankers then had to buy back those Exchequer Bonds which were made in payment of the different balances against them, principally to economise gold, and not to have gold passing from one bank to another each day, keeping the gold in the country uselessly. For instance, the exchange might be against one bank, say to the extent of 50,000 *l.* or 60,000 *l.* daily; two or three days after that, it might be against another bank, probably to the same amount, and this gold would be going from one bank to another uselessly. So that in order to save the want of interest upon the gold, they agreed to have Exchequer Bonds in lieu of gold. When a balance against the bank is declared, they must give over their Exchequer Bonds to the bank in whose favour the exchanges were. When these Exchequer Bonds are decreased to a certain amount, they must then give an order on London to buy back these Exchequer Bonds. Hence the notes coming in the exchanges are retirable in London.

Sir *John Lubbock.*

3059. Are these exchanges of the notes or for the whole business of the bank?—Merely of the note circulation. You already have Exchequer Bonds for the amount of the exchanges against you, and then, when a bank is in default, it must buy back those bonds and give an order on London.

Mr. *Kavanagh.*

3060. Is there any other reason for this system of exchanges acting adversely to the Bank of Ireland?—The Bank of Ireland make all the Government payments in Ireland, and we find periodically, when those payments are very large, with a circulation temporarily increased, probably in a fortnight or three weeks or a month, that circulation returns to us, and we are obliged in the same way, through the other banks, to draw upon London for that circulation. The payment of dividends increases our circulation as surely as the sun goes round; nearly the amount of notes that go out come in against us in the exchanges, and we are obliged to draw on London; therefore, to meet these exchanges, we keep a large reserve in London, which is not at all a remunerative thing, and comparatively unproductive.

3061. Are all the taxes, collected on account of the Government in Ireland, paid ultimately into the Bank of Ireland?—They all find their way into the Bank of Ireland, to the credit of the Exchequer account.

Mr. *Kavanagh*—continued.

3062. What is about the amount?—I have no statement of the full amount of the taxation of the country.

3063. What becomes of the surplus?—After we make all these Government payments, which are exceedingly heavy during the year, from the receipts of the taxes, we are then called upon periodically to remit this surplus to the Government account in the Bank of England; and to show you the difficulty of providing English money for money paid in Ireland, we have paid over to the Government (these are approximate amounts) in the year 1870, 1,570,000 *l.*; in 1871, 1,816,000 *l.*; in 1872, 3,526,000 *l.*, omitting the hundreds; in 1873, 4,422,000 *l.*; and in 1874, 3,528,000 *l.*

Mr. *William Shaw.*

3064. That is after paying all the local demands in Ireland?—After paying all the demands in Ireland.

Mr. *Kavanagh.*

3065. Are the Bank of Ireland paid for doing that business?—No, nothing.

3066. Have you not some remuneration for the management of the Unredeemed Public Debt?—We have. Some time ago we remonstrated at not being paid anything for that either, and the Government gave to us the same compensation as they give to the Bank of England, which is a progressive one. At present the unredeemed debt not being up to 40,000,000 *l.* we are paid 300 *l.* per annum per 1,000,000 *l.* for managing that debt, keeping the Transfer Office open, and a large staff of clerks, and so on. It is now 36,000,000 *l.*, and we are paid about 10,000 *l.* per annum.

3067. Do you allow interest upon personal current accounts?—No; we do not allow interest on personal accounts, except perhaps on what are called Charity Accounts, such as Poor-Law Unions and Infirmaries. In such cases we allow the deposit rate upon the current accounts, but that is the only case in which we allow interest on current accounts.

3068. How do you regulate the interest on your deposit receipts?—That is pretty much as Mr. Mills told you a short time ago. On the day on which the Bank of England raise or lower the rate, we get a telegram from them, and as they lower or as they raise, we lower or raise our allowance on deposits. That generally is about 1½ per cent. under the minimum rate of the Bank of England.

3069. Do all the other banks follow your example?—I believe that the National and Provincial critically do, but I do not think that the other banks do. I should say, with regard to the deposits, that not for many years have we gone as low as 1½ per cent. We have not gone below 2 per cent. for some years.

3070. Does gold circulate much in Ireland?—I should say comparatively scarcely at all.

3071. What becomes of the gold that you receive?—It finds its way into Ireland mostly through the cattle-dealers or pig-jobbers. In place of bringing over bank orders, as probably they should do, they go to some of the private banks, and take out sovereigns of a very questionable

Mr. *P. Du Bedat.*

7 June 1875.

Mr. *Kavanagh*—continued.

questionable character as to weight and so forth.

Mr. *Sampson Lloyd.*

3072. Do you mean that they are light?—I do. Those dealers, in coming to the different country towns, either pass the sovereigns off to the shopkeepers of those towns, or they bring them direct to the bank; the bank take them from them; but if they are light, they charge them a certain sum for taking them, 3 *d.* a sovereign, with a view to putting a stop to the import of gold, which is not required. If it comes in through our customers, if they happen to be good customers and keep good balances, we do not charge them at all. I may say that in general there is no charge for receiving gold.

3073. Do you import gold yourselves?—We have not imported gold probably for 30 years, and then it was for the assistance of other banks.

3074. Do you assist other banks with gold?—We have done so occasionally. We, a great many years ago, assisted the National Bank largely.

3075. How much gold have the Bank of Ireland exported during the last five years?—We have exported during the last five years 2,100,000 *l.*

3076. What was the expense of that?—The expense of that for the insurance and freight, and clerks' expenses in sending, 2,625 *l.* That was loss.

Mr. *Anderson.*

3077. Does that include the charge for light gold?—No; that is the heavy gold.

Mr. *Kavanagh.*

3078. Can you give the Committee any information as to the loss which the bank experiences from light gold?—In the last five years the bank have lost 5,329 *l.* in light gold, which is something like 1,100 *l.* a year, which shows the result of taking it from our customers.

3079. To whom do you send the gold when you export it?—Always to the Bank of England; they weigh the gold, and they charge us for the light gold.

3080. What amount did you pay the Government for Stamp Duty, on your circulation of notes, for the last five years?—£. 54,000. It amounts to about 11,000 *l.* a year; it is 7 *s.* per cent. on the outstanding circulation, paid in advance.

3081. Can you state the aggregate amount of deposits of cash balances in joint stock banks in Ireland?—This is taken from the same source which Mr. Mills gave to you, viz., Mr. Hancock's statistics, which were furnished to him by the different banks. The deposits in 1874 reached 31,700,000 *l.*; those are the deposits and current cash balances in all Ireland.

Mr. *William Shaw.*

3082. Would that include the savings banks?—No; it is very little more than the deposits in the London and Westminster Bank.

3083. Will you give the Committee the same information with regard to the Post Office and other savings banks?—In 1874 the amount was 2,911,000 *l.*, which, like the deposits, is increasing.

Mr. *Kavanagh.*

3084. Can you give the total amount of Government Funds and India Stock on which dividends were payable at the Bank of Ireland, in 1874?—In 1874 it was 34,555,000 *l.*, on which, as I mentioned, we are paid 300 *l.* per 1,000,000 *l.* for managing that part of the business; that has rather decreased in Ireland since 1864; it has been transferred to England. I should say, with regard to the reduction of the Government Funds in Ireland, that the cause of that is principally from the large amount of foreign bonds, and that description of security, which the public have taken up in place of the Government Funds; and also from money finding its way into banks for temporary and general use, not subject to fluctuation of price.

Mr. *Sampson Lloyd.*

3085. The 34,000,000 *l.* is exclusively Government Stock, is it?—The 34,000,000 *l.* is exclusively Government and India Stock.

Mr. *Kavanagh.*

3086. Then you attribute some of the decrease to speculation on the part of the public?—With great respect, I would not call that speculation; the deposits have greatly increased, and I have no doubt that some of the monies formerly invested in the Government Funds have found their way there, because they are not subject to the price of the day; they are sure to get the amount of the deposit pound for pound as they paid it in, with the interest attached.

3087. Is there much competition amongst the Irish banks?—Very great.

3088. Have they materially reduced their charges of late?—They have; they have reduced them to a minimum.

3089. I think you have stated about what the rate of charge was?—Yes; this is merely the usual Bank charge upon cheques, and negotiable documents of that kind.

3090. Could you put in your scale of charges?—Certainly. (*The same was delivered in,* see *Appendix.*) It is very nearly the professed practice of the other banks, but according to the value of the account, they will reduce or add on, and, of course, we are obliged to follow their example.

Mr. *Backhouse.*

3091. I suppose that you deal with each account on its merits, according to the amount of accommodation that it requires, and the risk incurred?—Certainly.

3092. You said, I think, that the 7 *s.* per cent. duty to the Government was payable in advance; did I understand you aright?—We pay, in January, 7 *s.* per cent. on the average outstanding circulation of the previous year, taken on the four weeks.

3093. Do you pay any license duty?—None.

3094. Are there any private banks in Ireland?—There are.

Mr. *William Shaw.*

3095. There are none, except in Dublin, I suppose?—There are none, except in Dublin. There are three or four that call themselves private bankers, but they are more of the stockbroking class; they pay duty.

Mr. *Backhouse.*

3096. There are three banks of non-issue in Ireland,

Mr. *Backhouse*—continued.

Ireland, I think?—There are three banks of non-issue in Ireland.

3097. Do they circulate the Bank of Ireland notes?—I cannot state that positively; I fancy it is according to their convenience.

3098. Have you found any increase in your issue since those banks have been established?—None.

3099. Do you at the Bank of Ireland keep accounts with the other Irish banks in the same way as the Bank of England keeps accounts with the English banks?—We keep a regular cash account with nearly all of those banks.

3100. How do you manage the exchanges?—There are no exchanges on the part of the non-issuing banks; they have no notes.

3101. How do you exchange cheques?—Those are paid in; the non-issuing banks send in all those cheques where we have branches, and we collect them. They go to the credit of the account, and they draw as they require, just as any private party would do.

3102. With regard to the public money which you transfer to England, I suppose that you retain that for a certain number of days in your hands before sending it?—Yes.

3103. And you get the advantage of so many days' interest upon it, do you not?—Yes; which may be the cancellation of our own notes, as I explained before, and a reduction of our circulation.

3104. Do you charge any commission upon current accounts?—We charge no commission upon current accounts, but we charge for collecting cheques as far as we can, if the account is not very valuable.

3105. Do you allow any interest upon current accounts?—We allow no interest upon current accounts.

3106. You have since 1864 allowed interest upon deposit accounts, have you not?—Yes.

3107. You said in one of your answers, with regard to your circulation having decreased, that it was owing to deposits being now received to a large extent; was any interest allowed on deposits by any bank in Ireland before 1850?—Yes; by the National and Provincial Banks, for many years, I should think.

3108. But not by the Bank of Ireland?—Not by the Bank of Ireland.

3109. And now all the Irish banks allow interest on deposits?—All of them.

3110. Can you tell us the proportion of 5 *l.*, and smaller notes, circulating in Ireland?—Certainly. The circulation of Bank of Ireland notes under 5 *l.*, is 1,146,200 *l.*

3111. That, I suppose, is the usual proportion?—Latterly it is. The circulation of 5 *l.* notes and over is 1,737,000 *l.*

Mr. *Shaw.*

3112. A 5 *l.* note is a popular note in Ireland, is it not?—Very popular.

Mr. *Backhouse.*

3113. I think you stated that 2 per cent. is about your minimum allowance of interest on deposits?—For a considerable period.

3114. What has been your maximum allowance of interest on deposits?—I do not recollect it having gone beyond 5 per cent.

Mr. *Backhouse*—continued.

3115. And that is only under exceptional circumstances, I presume?—Yes, when the Bank of England were probably charging 10 *l.* per cent.

3116. The Bank of Ireland do not publish their accounts, do they?—They do not publish their accounts.

3117. Is the amount of their liabilities included in the statement which you read just now, giving the deposits at 31,700,000 *l.*?—That is all the banks, including the Bank of Ireland.

Sir *John Lubbock.*

3118. May I ask what you charge your customers in Ireland for making payments on their accounts in London?—In that case, where the account is a valuable one, we do not charge anything. We have no fixed rule, and, in fact, we could not have. We have no such arrangement as they have in Scotland, where all the banks join, and have a certain scale.

3119. Could you state what the charge would be for a large account, for an account which was not otherwise valuable?—Our charge is from 1 *s.* to 1 *s.* 3 *d.* per cent., and *vice versâ*.

3120. Would that rate, in your opinion, be the rate which would be charged by the other Irish banks?—I should think so; in fact they can do as they like. There is no arrangement.

3121. So far as you are aware, however, that is the general rate which is charged?—It is. I should say that we make a difference where we issue letters of credit. For all letters of credit which we issue on England we charge 1 *s.* 6 *d.* per cent.; but where there is an arrangement made with me for the transfer of large sums, either to or from, it is generally 1 *s.* or 1 *s.* 3 *d.* On one of the largest accounts that we have, we never charge more than 1 *s.*

3122. And you do not lose anything by that?—We do not gain, because we pay a commission; we cannot do it for less. You cannot call it a loss, but it is no gain.

3123. I think I understood you to say that the total deposits of the Irish banks in 1874 were 31,700,000 *l.*?—Yes.

3124. And I believe that the authorised issue of the Irish Banks is 6,354,000 *l.*?—It is.

3125. The actual amount of circulation I see by the last return was 6,804,000 *l.*?—Yes.

3126. That is to say, the actual issue was 450,000 *l.* over the authorised issue, taken as a whole?—Yes.

3127. And the amount of gold held was 2,763,000 *l.*, was it not?—That is so.

3128. That is to say, deducting the excess of issue, there was left a balance of gold of 2,313,000 *l.*, deducting the 450,000 *l.* from 2,763,000 *l.*?—Yes.

3129. That was against deposits of 31,700,000 *l.*; that is to say, it was a reserve of rather more than 7 per cent.?—Yes, if you take the gold with reference to the deposits.

3130. Your bank was below its authorised issue, and yet I see that you held 508,000 *l.* of gold; therefore I presume that the amount of gold held by the Irish banks practically has reference to their general liabilities, and not altogether to their note circulation?—I would rather say, on the contrary, that the gold held by the banks is for their self-preservation; that if pay-

ment

Mr. *P. Du Bedat.*

7 June 1875.

Sir *John Lubbock*—continued.

ment of a note be demanded in gold, they must have it then and there.

3131. But you were below your authorised issue, and yet you thought it desirable to hold a very large amount of gold?—Certainly, for that very reason. All our branches have a considerable amount of gold, and we must have that for our preservation to maintain the integrity of the note of the Bank of Ireland.

3132. Therefore, whether you have any fixed limit or not, you must have held the same amount of gold?—Yes, certainly.

3133. Therefore the amount of gold which you hold has no reference to the fixed amount of your circulation?—No.

3134. Do you consider the power of issuing 1 *l.* notes to be a great advantage to the people?—Certainly; it is an advantage to the people.

3135. If the power of issuing 1 *l.* notes was withdrawn from the Irish banks there would, of course, be a large loss of interest, and it would necessitate a large circulation of gold, which would not bear interest?—Gold would take the place of note circulation, and there would be a large loss of interest.

Mr. *Anderson.*

3136. When your authorised issue was fixed at 3,750,000 *l.*, what were the considerations which led to that sum being fixed?—It was the average circulation of the three years previously.

3137. Was it the same with all the banks in Ireland?—It was the same with all the banks in Ireland.

3138. Then at that time you were up to your authorised circulation, but you fell off afterwards?—Yes.

3139. You are at present about 750,000 *l.* below the average, are you not?—Yes.

3140. And you said, I think, that in no way could you use up that circulation?—Yes.

3141. I suppose that you meant by that, that a bank of issue cannot force its issue upon the country unless the country really requires it?—Quite so.

3142. And that if a bank of issue did force its paper upon the country it would come back upon it immediately and require to be redeemed in gold, in Exchequer bonds, or in orders upon London?—Yes, practically in orders upon London.

3143. Therefore you cannot force your issues?—We cannot force our issues.

3144. Supposing that you were to extend your branches, would not that enable you to extend your circulation?—Yes, as I have already stated, I think, that would increase it, and probably bring it up to even more than our authorised circulation.

3145. Then you look forward to using up your circulation?—Yes, certainly, and perhaps exceeding it in the course of time.

3146. Then you would not be willing to give up part of it to other banks who have none?—In no way.

3147. You said, I think, that you got in 600 or 800 cheques a day?—I said that our average was from 600 to 800 cheques sent in for collection during the day.

3148. Not cheques upon yourselves?—No,

Mr. *Anderson*—continued.

cheques endorsed by our customers, entailing a decrease in the circulation to a certain extent.

3149. Do you keep a reserve in the Bank of England?—We keep large reserves, not only in the Bank of England but in London in other quarters.

3150. Do you keep one in the Bank of England too?—Yes.

3151. Should you have any objection to state the amount of it?—I would rather not do so. I think that the aggregate transactions between the Bank of England and the Bank of Ireland annually are about from 10,000,000 *l.* to 11,000,000 *l.*

3152. Is the 5,000 *l.* loss in five years for light gold, in excess of what you charged your customers?—We only make a charge for light gold in the case which I mentioned, such as cattle dealers. All the other gold comes in from our customers free; that charged upon is very trifling, and not worth speaking of.

Mr. *Mulholland.*

3153. Are those figures with regard to the circulation, which you have given, the largest average circulation?—They are the highest and lowest of the year, the average might be higher.

3154. But there is no period of the year, even with the Government payments, in which you approach to your limit?—No period.

3155. Are many of the notes that you issue over 5 *l.* held by other banks; it seemed to me an unusually large proportion?—It is unusually large, and we are not able to explain it. The large notes have of recent years rather increased in proportion to the 1 *l.* notes.

3156. You do not meet the larger notes in general circulation in the country, do you?—I think not; the banks do not hold our notes to any extent beyond a day; they put them to the credit of the account.

3157. Do not the non-issuing banks require to keep a large amount?—They make up their supplies every morning. The Munster Bank must require to keep a fair amount of notes of different kinds at their branches.

3158. Do the Royal Bank and the Hibernian Bank keep your notes in anything like the same proportion as the Munster Bank?—The Hibernian Bank's issue of Bank of Ireland notes is very considerable.

3159. I suppose that the three banks must hold nearly a million?—They might issue that amount, but it would come back again in a month or five weeks.

3160. That would nearly account for one-half of your circulation, would it not?—There is not that amount kept out, or anything like it. Notwithstanding the Hibernian Bank, and the Munster Bank, and the Royal Bank, as far as they can, issuing Bank of Ireland notes, we find our circulation in 1874 just holding its own, or rather decreased, showing that the circulation will not stay out.

3161. But these banks having been established, the Hibernian Bank in 1825, and the Royal Bank in 1836, could not at all have affected the comparative circulation of recent years?—I wish to explain that our circulation has not increased *pro tanto.*

3162. But would not a large proportion of the circulation

Mr. *Mulholland*—continued.

circulation all through the years you speak of have been caused by the business of those banks, would it not increase the circulation of each of those years?—If they have increased their business it has not increased our circulation.

3163. The Munster Bank was established in 1864, was it not?—It was established in 1864.

3164. In 1865 you say that your circulation increased by 210,000 *l.*?—Yes.

3165. It was the first year in which there was any increase; might not that to some extent be attributed to the establishment of the Munster Bank?—I dare say it might, but perhaps not to the whole extent.

3166. Is not the gold in your hands the result to some extent of the gradual accumulation of it, that you speak of, on its way to England? You say you send about 400,000 *l.* a year to England?—Yes.

3167. Then you probably have a larger amount of gold in consequence of the gradual accumulation than you would otherwise have?—We keep an average of from 450,000 *l.* to 500,000 *l.* to redeem our notes if necessary.

3168. Could you not get rid of some of that surplus gold more profitably by giving it to the other Irish banks in October, when they have to import gold from England?—Whenever we wish to reduce our store of gold we do assist those other banks, to prevent their having the expense and trouble of sending over to England for gold; but then we charge them a commission for it.

3169. What do you charge?—Three shillings per cent. backwards and forwards.

3170. But if you sent it to England you would have to pay an insurance?—We invariably take it back again. The banks who avail themselves of it do not require it, and as soon as their circulation comes back (as I have already stated the circulation will come back) they return us the gold and we ship it ourselves. We have been asked for it by other banks when we were not in a position to give it to them.

3171. With reference to your notes being a legal tender, is it not quite understood that the other bankers could not offer to pay their own notes in your notes, and that they must pay them in gold if it were demanded?—It would be the last thing that they should do to pay their own notes in Bank of Ireland notes.

3172. Are not other banks, if the note is presented, obliged to pay it in gold?—Yes, if it is demanded. The public have, in times of panic, taken Bank of Ireland notes in place of gold.

3173. But the banker could not legally tender them, could he?—The banker could not legally tender them.

3174. They are only taken by Government officers?—That is all.

Mr. *Orr Ewing.*

3175. How many branch banks were there in Ireland in 1845?—I could not tell you.

3176. How many branch banks had you in 1845?—Nineteen.

3177. How many branch banks are there in Ireland now?—Including those arranged for opening and in course of erection by Bank of Ireland, 399.

3178. You at present have 51 branches, have

Mr. *Orr Ewing*—continued.

you not?—We have at present 49 branches, and six more are in course of erection and opening.

3179. In 1845 the total authorised issue of the banks in Ireland was 6,354,498 *l.*, was it not?—That is the total authorised issue at the present time.

3180. The Bank of Ireland at that time had an authorised issue in round numbers of 3,750,000 *l.*, had it not?—Yes.

3181. Leaving to the other banks only 2,600,000 *l.*?—Yes, we have about 60 per cent. of the circulation.

3182. Then the real circulation in Ireland has gone up since the year 1845 to above 8,000,000 *l.* In 1872, according to the published statement, what was the average circulation of the banks of Ireland?—On the 30th of November 1872, when it was about the highest, it was 8,012,000 *l.*

3183. What was your circulation in that year?—Our circulation in that year was 3,392,000 *l.*

3184. Then you are considerably under your authorised circulation?—We are now.

3185. At the present moment you are about 800,000 *l.* under it, are you not?—About that; it varies weekly some thousands; something like 100,000 *l.* probably.

3186. How do you account for the fact that the banks in Ireland have increased their circulation to a very large extent, and that the Bank of Ireland has diminished its circulation to a very large extent?—My idea is that the number of branches established by the several banks naturally increase their circulation, and probably *pro tanto* ours decreases.

3187. The Bank of Ireland has been negligent of its duties to Ireland. Does not the right of issue afford great facilities to a bank to start branches?—In some respects, certainly it does; but in other respects not so.

3188. What do you mean by "in some respects certainly"?—I think the principal thing with regard to the convenience of having a circulation is, that they have their own notes to issue.

3189. Free of charge?—Not free of charge.

3190. It costs you very little; it does not cost you so much as bullion, does it?—Not so much as bullion.

3191. What is the charge for keeping your own notes at a branch?—The charge for the actual circulation amounts to very nearly 1½. The keeping up of the printing office, and printing our notes, and keeping the ledgers, and keeping the staff, and all that kind of thing, certainly comes to more than 1¼ per cent.

3192. Do you mean that the expense of conducting the banks in Ireland amounts to two per cent. upon their capital?—Of the circulation only.

3193. How much does it cost upon deposits?—Having a large staff we have never tried that; that has gone to the general business. I am speaking now merely of the circulation.

3194. Will you supply the information to the Committee what per-centage upon your deposits the cost of your bank amounts to?—We have never tried it, and it would be a difficult thing for us to do.

3195. Do you decline giving that information?

—I really

Mr. *P. Du Bedat.*

7 June 1875.

Mr. *Orr Ewing*—continued.

—I really do not think I could give you accurate information with regard to that.

3196. Can you not make up the whole expense of your bank, and applying it to your deposits, arrive at the per-centage that it costs you for conducting your business?—I might give an approximation to it after some time.

3197. Can you not give it perfectly accurately?—I should say not very accurately.

3198. Would you try to do it?—Certainly; but it would take some time.

3199. Have you seen the statement from the Scotch banks?—I have.

3200. Did it never occur to you that you might be asked for the same information?—Of course we can make it on the plan of the "Economist," which I see they have all adopted.

3201. Though you have admittedly, not been performing your duty to the public in Ireland, by having a sufficient number of branches, so as to employ your authorised issue; you have no wish, as you have answered to an honourable Member, to admit other banks to have a portion of that issue?—No.

3202. You are now alive to your duties, as well as your privileges, and you are going to extend the branch system?—We have no privileges, except our circulation.

3203. That is a great privilege, is it not?—We should not like to have that decreased at all.

3204. What is the use of it to you, if you do not use it?—We cannot use it unless the public take it.

3205. I thought you said you would not part with it, because you intend to take the means of using it?—Our opinion is, that the other banks, by increasing their branches, have taken some of that circulation, and that when we increase our branches we shall require at least the amount of our authorised issue, and probably more.

3206. And you intend to start branches for the purpose of competing with other banks, in order to increase your circulation?—We have been acting on that.

3207. Do you think that it is a fair position for a great bank like you to hold in a country, which depends so much upon banking facilities, that out of nearly 400 branch banks you should have only 51?—In my own opinion, Ireland is fairly banked.

3208. Do you mean to say that you intend to withdraw what you have previously stated to another Member of this Committee, that is to say, that it is your intention to increase the number of your branches?—When the directors are applied to to open branches in towns (and for which applications have been invariably made by the inhabitants), they take it into consideration, and if they see that it is worth their while, they establish branches.

3209. I thought you led us to understand that you had seen the error of your ways, and that you were going to reverse your policy, and to establish a great many branches, in order to come up to tho amount of your authorised issue, and even to go beyond it; is that so?—I believe the Directors hope and intend to do so.

Sir *Graham Montgomery.*

3210. Do the non-issuing banks in Ireland, issue over the counter any other notes except the notes of the Bank of Ireland?—I can only say that the Hibernian Bank stated to me that they pay nothing but Bank of Ireland notes, and the Royal Bank the same.

Sir *Graham Montgomery*—continued.

3211. When the non-issuing banks increase their number of branches, how does it come about that your circulation does not increase?—Simply because it will not stay out; the country does not require it.

3212. Do you consider that the Government business is a profitable one to the Bank of Ireland?—It is.

3213. That is your only privilege, is it not?—It is the only privilege.

3214. Do you do a large discount business?—Yes.

3215. When you have more money than you can lend out in Ireland, do you send it to your correspondents in London to lend out?—That cannot be done. The accumulations in London are the results of the exports of the country; you cannot send anything to England but gold.

3216. Then all the money that you keep in London in the shape of reserves is not utilised, but it lies dormant?—Comparatively.

3217. Your correspondents do not lend it out at your risk in London?—No.

3218. How does it happen that you do not publish your accounts?—We have never done so.

3219. Do the shareholders never ask for them?—No.

3220. Do you ever discount on your own account in London by an agent?—Never; we advance on bills.

3221. You lend money to bill brokers in London?—We do; we lend some of our reserves when we do not require them, to bill brokers in London.

3222. Do you do that through your correspondents, or do you do it directly from Dublin?—Directly from Dublin.

3223. The Bank of England does not lend out any money for you at your own risk?—In no way.

3224. Nor your other correspondents in London?—No.

3225. And the money that you cannot lend out in Ireland, you lend to bill brokers in London?—To bill brokers in London.

Mr. *Orr Ewing.*

3226. When you lend money to bill brokers in London direct from Dublin, do you keep it permanently with them?—Yes.

3227. Supposing that you do not require it, where do they return it to?—I think that they are rather too glad to get it; that has not occurred. We keep an account with certain bill brokers.

3228. The bill brokers come between you and the person that is advanced to; you have got the security of the bill broker?—We have got the security of the bill broker, and we have got the security of the bill. We advance on the deposit of bills.

3229. Are the bills sent to Ireland?—Some of them; but a very large proportion are not. That is intended to facilitate the exchange. In order

Mr. *Orr Ewing*—continued.

order to avoid adding to the cost, we pass them at three days previously to maturity, and the public are glad to get them to save the cost, and they demand them and collect them at their own risk.

3230. But the bills issued by your agent or broker are handed to you and sent to Ireland, instead of being deposited with your agent in London. Am I to understand that that is your answer?—There is a certain amount of reserves which we must keep in London.

3231. I am not speaking of reserves; I am speaking of your money in active employment?—There is a certain amount that we require to keep in London, and in those cases we take bills and have them deposited with our agent as security for those balances.

3232. Then your agent is the person who receives the bill, and conducts the business?—Not always; only in that case.

3233. Do you think that that is a convenient course of conducting business?—It is most convenient.

3234. Is it a convenient thing for the bank?—It is a convenient thing for the bank, because by doing so, we avoid paying a commission in London for the business, the public taking those bills and collecting them themselves.

3235. Supposing that you had the privilege of having a branch in London without losing any of your privileges and advantages in Ireland, do you think that, under those circumstances when you are employing large sums of money, you would not avail yourself of having a branch here?—That is a very long question.

3236. I will make it shorter if you like?—I mean that it is a very long question to answer. I am not sure what the opinion of the directors might be with regard to opening a branch in London, but individually, I think it would not pay, and we are satisfied to remain as we are.

3237. Do you hold the same opinion as another Irish witness, that the amount of margin between the deposits and the charge made upon bills is so small that it would not be profitable to conduct a business of that kind here?—We generally get a small profit.

3238. And that would not frighten you from doing business in London?—I do not think that we could make it pay.

3239. You have no experience of it. Do you not sometimes enter into transactions without being fully aware whether they will be remunerative or not?—Never.

3240. Do you never have a bad transaction?—Not in that way. Sometimes we discount a bad bill.

Sir *Graham Montgomery.*

3241. You think that it is a safer mode of doing business for the Bank of Ireland to conduct the lending of money in London from Dublin, instead of having a branch in London to do the business for you?—We only employ two first-rate banks, and we consider that they are quite safe in the security. They merely act as agents to take up the bills and hold them for us on deposit.

3242. You think that is a safer system for the Bank of Ireland than having your own branch in London would be?—I will not say that. Of course if we had a branch here it might be somewhat safer.

Sir *Graham Montgomery*—continued.

3243. It might be less safe for the Bank of Ireland if you had a branch in London conducted by one of your own people?—Yes, certainly it might be less safe if we had an inexperienced manager.

Sir *John Lubbock.*

3244. On the whole, I understand you to say that the mode in which you conduct your transactions in London is, in your opinion, convenient both to the Irish public and to the Bank of Ireland?—Most convenient.

Mr. *Mulholland.*

3425. Have you any exceptionally favourable terms with the Bank of England?—None whatever. We pay them a very handsome income.

Sir *John Lubbock.*

3246. But still less than you think a branch itself would cost you?—The rent alone of an office in London would perhaps cost as much and more than the commission.

3247. And you have no complaint to make at all of the Bank of England, and of the way in which they conduct your business?—Quite the reverse; we get on very pleasantly indeed, and have done so for half a century.

3248. Supposing that the business increased, would that make any difference?—If the business increased it would increase the business with the Bank of England.

3249. And that would be conducted equally conveniently?—It would be conducted equally conveniently; nothing could be more so.

3250. I think formerly there was more hoarding in Ireland than is now the case?—A great deal more.

3251. Do you not think it probable that much of the money which used to be hoarded in Bank of Ireland notes, is now paid into banks, and appears as deposits in banks?—There is no question about that.

3252. That would tend very much, would it not, to account for the diminution of the circulation of the Bank of Ireland?—No doubt.

3253. When you said that the cost of the circulation was two per cent., that included the whole cost of the issue of notes, did it not?—No.

3254. May I ask what you include in the two per cent.?—The expense of our circulation is probably 1½ per cent. I can imagine that the expense of smaller circulation to a minor bank would cost nearly as much as a larger one to a more extensive bank. Where a bank has the power to issue they must keep in every branch a certain amount of gold to meet that issue. They cannot call upon the Bank of Ireland for gold, according to the Exchange regulations. Independently of that, in those exchanges when their issue comes in, as I mentioned to you before, it results in London, almost all the business centres in London, and they will be obliged to draw on London to their disadvantage, and they will have to keep a proportionate amount of reserves in London to meet that circulation. You must then take the interest upon the loss upon those reserves, and upon the

Mr. *P. Du Bedat.*

7 June 1875.

Sir *John Lubbock*—continued.

amount of gold which they must hold against their circulation, and the expense of the making of the notes.

3255. When they pay the money in London on account of the notes, one Irish bank pays the money to another Irish bank in London?—The whole of the exchanges centre in London.

3256. But the exchanges are entirely between the different Irish banks?—The exchanges are entirely between the different Irish banks.

3257. Therefore if one Irish bank makes a payment on account of that exchange in London, that Irish bank makes it to another Irish bank?—The draft is drawn to purchase Exchequer bonds, being the balance of exchange against that bank.

3258. But this exchange being entirely between the Irish banks, what one bank has to pay another bank has to receive?—Certainly.

3259. Therefore if there is a loss upon the payment in London to the one bank, it is a gain to the other bank?—No doubt they get the money at once.

3260. Therefore in considering the circulation as a whole, we need not take that into account as an expense?—Pardon me, I think you must. If the bank issues an amount of notes (we will say that the bank issues 100,000 *l.* this week) to a positive certainty those notes will come in in a very short period, and the payments in London must be met. If they did not issue those notes they would not have to keep the reserve in London, whereas they must keep it there ready for them at comparatively little profit.

3261. That is to say, if they issue a larger amount than Ireland requires for its circulation?—Precisely; for instance, it would be a most detrimental thing if any bank issued notes on accommodation bills, bills not representing the trade of the country, they would not have the means of retiring those notes in London.

3262. But supposing that the banks only issue the amount that is required for the business purposes of Ireland, then the expense of the note issue in your opinion would be 2 per cent.?—Yes.

3263. But, of course, if a bank had no right of issuing notes, still it would be obliged to hold notes, and therefore there would be a considerable expense to the bank anyhow?—Yes, no doubt.

3264. Therefore in considering the advantages of a note circulation, we must deduct that from the 2 per cent., must we not?—No doubt.

3265. And therefore, in considering what the advantages of a note circulation are, we should have, should we not, to take a much smaller percentage than the 2 per cent.?—I mean by the 2 per cent. the real expense of making the notes and keeping the books and staff. It is about 1½ per cent. to the Bank of Ireland. If the circulation were in a small bank, the expense would be greater. With regard to the notes which the other banks would hold, you must put against that the amount of gold that they would have to hold against their own circulation.

3266. But the Munster Bank, which has no circulation of its own, and which issues Bank of Ireland notes, has, of course, the expense of keeping ledgers and records of the notes and of

Sir *John Lubbock*—continued.

all the clerical labour?—I believe that that is not done.

3267. Do I understand you that in Ireland the banks do not keep a record of the numbers and dates of the notes which pass through their hands?—I am sorry to say they do not.

3268. Would you not think it very desirable that they should do so?—I certainly should.

3269. Assuming that they did do that, which in your opinion they ought to do, then practically the expense to the bank of the book-keeping and so forth would be very much the same, would it not, whether it issued its own notes or the notes of another bank?—Not the same at all. A mere record would be quite sufficient for their purpose, merely a temporary thing, to be kept for three, or four, or five days, until they they saw that the notes had gone all right; but if a bank issued its own notes, it would have to keep regular note ledgers, and, as the notes came in, to have them all posted or marked off, to see what its outstanding circulation would be.

Mr. *Mulholland.*

3270. Do the Bank of Ireland re-issue notes?—They do.

Sir *John Lubbock.*

3271. Are you aware that in England it is customary to keep a record of the notes passing through a bank for a long time, so as to be able to trace fraud or robbery?—I am quite aware of that.

3272. That, I understand, is not done in Ireland?—It is not done at all.

3273. If you receive from a London bank cheques for payment, drawn on your head office, or any other branch, you pay them over in London through the Bank of England, less a small commission?—Not quite through the Bank of England. We may issue through any correspondents that we have in London; but it is generally on the Bank of England. We charge one-eighth per cent. for pen, ink, and paper, and staff, and we make the remittance free; that covers the whole expense.

3274. I suppose, as regards the amount which you employ in London, practically you give orders to the Bank of England to pay money over to the bill brokers, and receive bills in exchange for them?—We do not put the Bank of England to that trouble, but that is the way in which it is done.

3275. I suppose that when you find that you have occasion to employ the money in Ireland, you direct the bill broker to pay the money into the account of your London agents?—Quite so.

3276. If, on the other hand, you have money to employ, you order your London agents to pay the bill brokers, and if you are under your order, the bill brokers pay over to your London agents?—Yes.

3277. And that works advantageously?—It does.

Mr. *Anderson.*

3278. Is it not a great loss to have this large amount of 800,000 *l.* of authorised circulation not made use of?—I think it is not any loss, because the banks have availed themselves already of it. If the Government gave the other banks the power

Mr. *Anderson*—continued.

power of further issue, I do not think that the circulation of the country would be increased.

3279. The 800,000 *l.* is made up by the other banks at present?—At present, it is.

3280. And they are in excess of their authorised issues?—They are in excess of their authorised issues.

3281. They must do that at a considerably greater expense, must they not?—At the expense of holding gold, certainly.

3282. And that extra expense must come in some way or other upon the public in the charges that the banks make?—I do not see that.

3283. It comes upon somebody?—Upon the bank probably.

3284. This 800,000 *l.* is a loss, you admit, either to the public, or to the other banks?—To the other banks.

3285. Would it be very unfair to take it away from you, who cannot use it, and give it to the other banks who can use it?—I maintain that we shall use it in time.

3286. At the end of a few years, if you should not be making use of it to the advantage of the public, would you think it quite fair that the country should take it from you?—When the period arrives it will be time enough to consider that.

Sir *John Lubbock.*

3287. Would not the only effect of giving that power to the other Irish banks be that they would not be under the obligation to keep so much gold as they keep at present?—That is the only thing.

3288. I presume that you would say that keeping, as they do now, 2,500,000 *l.* of gold in Ireland, that is not a larger sum than, having regard to their liabilities, it is desirable that they should keep?—It is not too much.

3289. Therefore you do not think that, even if the issue was increased, the stock of gold should be diminished?—I do not think that it should make any difference in the stock of gold.

3290. There might be a certain saving of interest, but it would be at a certain loss of security; that is to say, the amount of reserve would be less in proportion to the liabilities, and you think that that amount at present is quite low enough?—I think that that amount is quite low enough.

Chairman.

3291. Can you tell us what has been the lowest point of your circulation since 1845?—I cannot now, as I have not brought the books for so far back as that.

Sir *John Lubbock.*

3292. Can you tell us what is the law in Ireland as to the payment of license duty either for issuing notes or for drawing short drafts, say of seven or twenty-one days?—The tax for the circulation of notes on demand is 7 *s.* per cent. per annum.

3293. It does not depend upon the number of branches, then?—Not at all; it is upon the amount of outstanding circulation for the year.

3294. If you open more branches, would you be liable for more duty?—We would if we increased our circulation; for instance, if our circulation came to 4,000,000 *l.* we should pay 7 *s.* per cent. on 4,000,000 *l.*

3295. But it would not be the opening of branches that would make the difference?—Not at all.

Sir *John Lubbock*—continued.

3296. You might open 50 more branches, and if your circulation remained the same, your payment would remain the same?—Quite so. There is another compensation which we pay, and I fancy that all the other banks do the same. We draw on London at 7 days and 10 days, and anything under 21 days, and we compound for that stamp duty at 3 *s.* 6 *d.* per cent.; but that has no reference to the circulation.

3297. And no reference to the number of branches?—Not at all.

Mr. *Mulholland.*

3298. In the 1½ per cent., do you include that duty of 7 *s.*?—Yes, we include it; and also the deposit of gold.

3299. I think you said, in answer to the honourable baronet the Member for Maidstone, that the notes which you would require for the purpose of opening a new branch would cost 1½ per cent.?—I did not say anything about the opening of a branch.

3300. But you do not pay that duty until the notes are issued, and therefore you would not have to pay it upon the notes that you were keeping merely in reserve?—Certainly not; we only pay upon the outstanding circulation of the year.

Sir *John Lubbock.*

3301. There is no separation of an issue department and a banking department in the Bank of Ireland, as there is in the Bank of England?—None; it is on the outstanding circulation for a twelvemonth.

Mr. *Mulholland.*

3302. So that notes issued on the opening of a new branch would not cost you 1½ per cent. until they were issued?—No, except the expenses of making them, and keeping the books, which are very great.

Sir *Graham Montgomery.*

3303. Where are your notes payable?—At every branch.

Mr. *Sampson Lloyd.*

3304. You were asked just now by an honourable Member, were you not, to put in a return specifying the proportion of the expenses of your business which applied to deposits as distinguished from the amount of expenses which applied to circulation?—Yes.

3305. You can, I presume, tell with great accuracy, the cost of printing the notes, and the cost of that particular portion of your staff which is exclusively occupied with issuing the notes; but where you have a large staff of clerks, and a large banking establishment, where the same clerks are sometimes receiving deposits and paying out deposits, and sometimes receive notes and paying out notes, can you in any correct manner define the proportion of your banking expenses which applies exclusively to circulation, and the proportion which applies exclusively to deposit?—No, I mentioned that I thought that it would be a most difficult thing to do.

3306. Then if any bank puts in statements, or makes statements professing so to apportion its expenses, you would regard such returns as misleading?—It must be an estimate.

3307. It must be more or less empirical?—Yes.

Mr. *P. Du Bedat.*

7 June 1875.

Mr. *Orr Ewing.*

3308. But you are prepared to make a return upon the data of the "Economist" calculation?—No doubt I can do that.

3309. Would you also give us a return of the cost of your circulation?—Yes.

3310. According to your calculation, your authorised circulation being about 3,750,000 *l.*, the cost of your circulation would be about 60,000 *l.*, would it not?—You will find all that in the previous examination some years ago.

3311. Upon reconsidering it, do you really think that it costs you as much as 60,000 *l.* a year?—I think that it costs 1½ per cent. I said that the cost to the Bank of Ireland was 1½ per cent., but that upon a smaller issue of notes the expense might be greater.

Mr. *Backhouse.*

3312. Do you print your notes in the office of the Bank of Ireland?—Yes, it is done by steam.

3313. Do you have paper made specially for it?—We have paper specially made for it.

3314. Doing it in that manner with such care adds greatly to the expense, does it not?—I should think that it does.

Mr. *Torr.*

3315. Do you suppose that the withdrawal of the circulation of 1 *l.* notes would seriously affect the trade of Ireland?—Very seriously.

3316. More than the per-centage which you say that the notes cost you, which is 1½ per cent.?—It would be very serious. They are so accustomed to a 1 *l.* note circulation that if you were to take it away it would be a disastrous thing.

3317. Do you think that it would be a difficult matter to introduce the circulation of Bank of England notes in Ireland?—Very difficult.

3318. Do you realise a higher rate of interest upon the deposits in that portion of your funds that you use in Ireland than you do in the London market?—Where the deposits are used for the discount of Irish or English bills we gain more than when they are lying in London.

3319. But you have not the power of using the whole of your deposits in Ireland, and you do send a large amount of funds to London to be employed, do you not?—From the course of the trade of the country, the reserves will naturally increase in London.

3320. You cannot find a field for the employment of all your deposits in Ireland; you say that you realise a larger rate of interest for the money which you employ in Ireland, than for that which you send to England; and you would naturally be induced to employ it in Ireland if you could get better profits from it?—The result, if it were employed in Ireland, would be that it would lessen the reserves in London.

3321. If you could employ a larger amount in Ireland, would it not be an advantage to the trade of Ireland?—You could not employ a large amount temporarily in Ireland; there is no difficulty in obtaining money in Ireland on good security.

Sir *John Lubbock.*

3322. Is not your reason for lending money in London, because it is convenient to have a certain sum, which you can call in at any moment?—We could not get on without it.

Sir *John Lubbock*—continued.

3323. Therefore, you do not lend it in Ireland, even though you might get a higher rate for it?—It is because we must hold a very large sum in London.

3324. Not because you get a higher rate for it?—Not at all, quite the reverse.

3325. It is, in fact, as a reserve in the second line?—As a reserve in the second line.

Mr. *Mundella.*

3326. It is not because you cannot employ your funds in Ireland, but simply because you must keep a reserve in London?—It is only the surplus which remains in London.

3327. And the best place to keep a reserve is in London, where you can advance it upon the securities, which you can call up immediately?—It is not the best place, but it must be kept there.

Mr. *Balfour.*

3328. Cannot you lend money at call in Ireland?—No, there is no one to lend it to.

Mr. *William Shaw.*

3329. You mean, I suppose, that your reserves must be lent in Ireland?—Yes; the balance of what we do not require.

3330. As a matter of fact, I suppose that you do not keep more money here than is necessary for your reserve?—The money kept in Dublin is very trifling indeed, after the circulation.

Mr. *Orr Ewing.*

3331. Is it only reserved money that you keep in London?—The balance of the money not required in Dublin.

3332. But is it in reserve; can you call money that is in active employment in the hands of a bill broker, in reserve?—Certainly; it is always at call.

3333. But supposing that the bill broker refused to give the money at call, could you properly call it reserve?—Certainly, for we would not leave it there.

3334. Should you say that reserve is a proper word to use, with reference to money that is at active work in loan to any party?—We must have it there, and we do the best that we can with it.

3335. Is it not in active employment?—Yes.

3336. Must not a reserve be in securities or bullion; can money actively employed in a bill broker's hands be called reserve?—Certainly; it is held at call.

Sir *John Lubbock.*

3337. I think you said it was reserve in the second line?—I did.

3338. You count the bullion as the reserve proper, do you not?—Yes.

3339. And you consider money which you have with a responsible bill broker, and which you can call in at any moment, a reserve in the second line?—Yes; we think bills of exchange very good security.

Mr. *Sampson Lloyd.*

3340. You have no houses in Dublin of the requisite responsibility and credit to enable you to lend the money in Dublin, and therefore it is that you lend it in London?—Yes.

Sir

Sir *John Lubbock.*

3341. And you put up with a much lower rate of interest in consideration of having the opportunity of recalling the money at any moment?—Yes.

Mr. *Orr Ewing.*

3342. I understood you to reply to me that some of the bills upon which you advanced to bill brokers were in your hands in Ireland, and that some of them were in your agents' hands here; that cannot be money at call, surely?—It is at call. Those are held in deposit the same as Government Stock.

3343. By bills you meant deposit notes?—Not at all.

3344. Are the bills discounted?—Some of them are not discounted. They remain as collateral security, the same as a transfer of Government Stock.

3345. But I understood that you advance money to bill brokers upon bills, which bills you have the security of, because they were put into your hands?—We lend money to bill brokers upon the security of those bills.

3346. May I ask what are the exchange dates of those bills?—The bills have an *échéance* of five to six weeks.

3347. Therefore you cannot call that money at call; you must wait until the bills become due?—We do not discount the bills unless we require them for the purpose of the public to pass them over the counter. When once we discount them, we take them from our deposits in London, where they were as security, lodged with our agents for money at call.

3348. If the bills are good you get your money, but if they are bad, what then?—We have the house also as a guarantee.

Chairman.

3349. Will you put in a table showing your circulation year by year since 1845?—Certainly.

3350. Could you also furnish parallel statements as to the general circulation of the other banks in Ireland year by year?—Certainly.

3351. Your circulation has been increasing of late years, has it not?—Our circulation has been increasing of late years.

3352. Can you say generally, from memory, at about what time it got to the lowest point?—I am not able to state that, but it will be in the Table promised (*see* Appendix).

3353. Has it been rising for the last 10 or 12 years?—The average is about the same.

Mr. *Backhouse.*

3354. Do not answer this question unless you like. Have you any discount accounts direct with any English or Scotch firms?—Nothing but what I have already explained.

Mr. *William Shaw.*

3355. You have within the last 10 years, I believe, put out a good many branches?—Yes.

3356. And the Hibernian Bank and the Munster Bank have been issuing your notes extensively, have they not?—I believe so.

3357. And your issue has not increased very much during all that time?—No.

3358. Do you not think that Ireland now is pretty well banked in the way of branches?—That is my opinion.

Mr. *William Shaw*—continued.

3359. When your additional five or six branches are opened, will there be much room for many more branches?—I do not know how that may be. I daresay that we may go on. We have had requisitions from other towns, and I may say that we have never gone to a town without a requisition from the public.

3360. The Munster Bank has put out something like 30 branches within the last 10 years; the Hibernian Bank has put out 15 or 16 branches, and I suppose you have put out something like 15 branches, and yet your circulation has not increased very much?—No, for the reason which I have explained.

3361. You think that a branch acts in a double capacity, and that in fact it brings in the notes nearly as quickly as it puts them out?—It brings in the notes nearly as quickly as it puts them out.

3362. Then how do you expect, at this rate of progress, to utilise this 750,000 *l.* of unused notes that you have?—By extending our branches, and going to towns which have not banks already, and by that means, in a small way, the notes will go out.

3363. There have been evidently something like 60 branches put out within the last 10 years, and the increase has been hardly perceptible?—Whatever will affect one bank will affect the others.

3364. You state that you are paid by the Government for the management of the National Debt, and in addition to that you are the Government bankers, I believe?—We are the Government bankers.

3365. You have large balances always in your hands belonging to the different departments, have you not?—Yes.

3366. Would you have any objection to state the amounts which you have?—I do not think that I should be justified in doing that.

3367. Do you really think that your issue costs you 1½ per cent.?—That is my present opinion.

3368. Have you gone into the calculation?—Not recently.

3369. You do not cancel your notes, as the Bank of England does, upon their being returned to you?—No.

3370. You use those notes for years?—We do not use them very long.

3371. But as a matter of fact they stay out for a long time working among your branches, do they not?—Yes, according as the localities require.

3372. It seems to me extraordinary that they can cost you this amount of money; you stated, did you not, that you had helped the Irish banks occasionally in getting gold from England?—Yes.

3373. Are you equally willing to help them in getting rid of the gold, do you take gold from them?—We do not.

3374. Are you aware that the banks of non-issue are very often put to very heavy expense in sending over to England the gold which they have received from you?—The other banks, of course, must have a similar expense to ours. I have told you that ours costs us, receiving the gold in that way, about 1,100 *l.* a year.

3375. Do you take Bank of England notes from the other banks?—No.

Mr. *P. Du Bedat.*

7 June 1875.

Mr. *William Shaw*—continued.

3376. Are you aware that a very large number of Bank of England notes are taken in Dublin in the ordinary way of business and sent across whole to London?—I am not aware of that; but we have sent them across, cut in halves, for 50 years.

3377. Are you aware that bags have been lost lately with a very large amount of Bank of England notes in them?—I have not heard of that, but we do not run that risk.

3378. You would object very strongly to give the banks of non-issue any part of this unused issue of yours?—I do not see why they should take any part of our issue from us.

3379. You do not give them any commission upon the issue of your notes, do you?—I do not think that it would pay us to do so.

3380. Did you ever arrange with a bank of non-issue to pay them for the issue of your notes?—We did.

3381. What bank was that?—The Tipperary Bank. We discounted their bills at 1 per cent. under the rate of the day, and it turned out a most disastrous thing.

3382. Do you mean for you?—For us.

3383. You did not give them a commission upon the issue of your notes?—No, it could not be done.

3384. In what districts of Ireland have you been extending your branches generally?—Principally in the south and west.

3385. You have gone to smallish towns, have you not?—Yes.

3386. Where there were banks before pretty well established?—We have, and I am very happy to tell you that after a short time they turn out very well.

3387. What is the population of some of those towns?—I daresay that some of them have a population of not more than a couple of thousand; but we look to the neighbourhood, of course, as I daresay you know very well; as for the towns themselves, they would not be worth establishing branches in.

3388. What is the population of Charleville in our county, for instance?—I do not recollect.

3389. It is considerably under 2,000, is it not?—Yes; but there is a very fine country round about it, and we were solicited to go there. We give a good deal of money out in that town for butter exporters.

3390. Do you lend it on bills?—We lend it on good English bills. As many as 500 firkins of butter will be sent across from that town in one train.

3391. Is it not Mallow that you are talking of?—I think it is Charleville.

Mr. *Mundella.*

3392. You were asked whether the banks of non-issue had not to pay considerable sums for exporting gold to England, and you answered, I think that that was so, but so also have the banks of issue, have they not?—I presume so. If the non-issuing banks take gold from their customers if it is light, they could not expect the Bank of Ireland to take it from them.

3393. You said that it cost you 1,100*l.* a year for the light gold that you received. I suppose it would not surprise you if you heard that it cost the National Bank 800*l.* a year?—I should not be surprised to hear it.

Mr. *Mundella*—continued.

3394. So that that expense is not confined to banks of non-issue, but it is common to all banks?—To all banks.

Sir *John Lubbock.*

3395. It falls upon English banks as well as upon Irish banks?—I suppose so.

Mr. *Kavanagh.*

3396. The honourable Baronet, the Member for Maidstone, examined you with reference to the 1*l.* note circulation, without reference to the advantage that it is to the bank itself; would it not be a tremendous inconvenience to the public if that circulation of 1*l.* notes was withdrawn?—I stated I think that it would be a disastrous thing to Ireland.

3397. You think that it is so well known in Ireland and so much used that it would be a most unwarrantable inconvenience if it were done away with?—It is part of the institutions of the country; I do not see how it could be replaced by a gold circulation.

3398. There is not much danger from forgeries, is there?—I am happy to say that we have not had more than two or three forgeries in twenty-one years.

3399. The loss from forgery is not so great, is it, as the loss would be from light gold if all the circulation was in gold?—Not at all, and that would fall upon the public generally. The last holder of a light sovereign would lose.

3400. Some of the honourable Members opposite from Scotland, in their questions implied that the Bank of Ireland neglected the country by not using its entire authorised circulation. I suppose if that could be proved with regard to Scotland it would prove the same thing, would it not?—Yes, but I think the Scotch banks are above their authorised circulation; their issues are nearly double their authorised circulation I think, and against the excess they are obliged to keep gold like the Irish banks. We have a larger circulation in Ireland than they have in Scotland.

Mr. *William Shaw.*

3401. You keep your gold principally to pay your notes, do you not?—We have had no demand for gold since 1836.

3402. What do you keep the gold for?—To have it if it should be called for. It is perfectly useless because it is never called for. The Bank of Ireland note was never depreciated in any way.

3403. Strictly speaking there is no demand for gold at all in Ireland, is there?—There is no demand for gold.

3404. You gave some reasons for the falling off of the circulation; do you not think that the immense falling off in the population had a great deal to do with it?—I should think so.

3405. And the class of population which disappeared was the poorer class, who would be the most likely to hoard notes?—I am afraid so.

Mr. *Mundella.*

3406. The principles of banking are better understood now in Ireland than they were thirty years ago, are they not?—They know them as well as any one.

3407. And instead of hoarding the 1*l.* notes they

Mr. *Mundella*—continued.

they make deposits, and they turn their money to interest, do they not?—Yes.

3408. And, therefore, there is a larger business, with a less circulation?—Certainly.

3409. There is a point at which that will stop, and as the population of the country increases, and the wealth of the country increases, your note circulation will again expand?—Yes, and when it is not required it will come down again.

Mr. *Balfour.*

3410. Do you mean that the people trusted to the banker sufficiently to hoard their notes, but not sufficiently to deposit with them?—The banks were not generally allowing interest upon deposits in those days; we were not allowing it, at all events.

Mr. *Stephen Cave.*

3411. I suppose, in those days the banker was not near enough to the hoarder?—I do not think that that was the case, because you could always take out a bank order for any amount, and lodge it in the bank at any distance.

Mr. *Hubbard.*

3412. Is the circulation for small payments of 1*l.* and upwards made entirely in 1*l.* notes, or is there a circulation of sovereigns as well?—The circulation of sovereigns is very trifling.

3413. Could you state in what proportion the circulation of 1*l.* notes stands to the circulation of sovereigns?—I could not form an idea.

3414. Is any unwillingness ever met with in accepting payments of a sovereign instead of a 1*l.* note?—I should say so.

3415. You do not imagine that the absence of 1*l.* notes, and the substitution of sovereigns, would lead to a repeal of the Union?—I do not think it would do that, but it would be most unsatisfactory.

Mr. *William Shaw.*

3416. With regard to cheques, you get, I suppose, an immense number of small cheques?—We get a great many small cheques.

3417. Showing that banking has spread very much amongst small traders?—Very much; they almost all keep banking accounts.

3418. Ten years ago that was not so common in Ireland, was it?—It was not so common.

3419. That is all calculated to lessen the amount of circulation, is it not?—It is.

Mr. *Mulholland.*

3420. You said that you employed more money

Mr. *Mulholland*—continued.

Mr. *P. Du Bedat.*

7 June 1875.

in London than was necessary for reserve, because you could not find employment for it in Ireland; could you give us an idea of what proportion of your total bills of exchange are bills discounted in London?—I think, speaking from memory, that the amount of bills which we require to issue to the public over the counter, which we bring from London for that purpose, is about 6,000,000*l.* annually.

3421. But what proportion of the bills of exchange that you hold at any time consist of bills drawn upon London, because you cannot get employment for the money in Ireland?—It is the result of balances accumulating in London from the export; we cannot avoid it.

3422. But do I understand you to mean that there is a portion of the money in your hands which you cannot employ in Ireland, and which you consequently send to London to be employed there?—I suppose you must take it in that way.

3423. Would one-third of the bills which you hold be bills discounted in London through bill brokers?—I think not.

Sir *John Lubbock.*

3424. I think we do not quite understand the point even now; my understanding of it was this: that, as it was necessary for you to hold a certain amount which you could call in at a day or two days' notice, you found it most convenient to employ that money in London, getting interest for it?—To leave it there for our purposes.

3425. Not because you could not employ it in Ireland permanently, but because you could not employ it from day to day in Ireland?—Very far from that. If a demand were made upon us in any town, in the way of a large discount, we should first see if we had a sufficient reserve in London before we should discount the bills.

3426. Therefore the reserve which you hold in London is held as a reserve of the second line?—It is held as a reserve of the second line.

3427. And not because you could not employ the money in Ireland?—Not because we could not employ the money in Ireland.

3428. In fact, if you had another 1,000,000*l.* of money deposited with you, you could employ it in Ireland advantageously?—I daresay we could.

Mr. *Stephen Cave.*

3429. All the money that you can permanently keep in Ireland you have had no difficulty in employing in Ireland?—No difficulty at all.

Mr. James Thomson Bristow, called in; and Examined.

Mr. *Stephen Cave.*

3430. What position do you occupy?—I am one of the Directors of the Northern Bank of Ireland, and I have been so since the year 1852.

Mr. *Mulholland.*

3431. I think you have authority to speak also on behalf of the Belfast Bank and the Ulster Bank?—Their opinions and ours agree so far as we know the points likely to be spoken about.

3432. Those three banks generally act together, do they not, in arranging their terms and mode of business?—They do.

Mr. *Mulholland*—continued.

Mr. *J. T. Bristow.*

3433. Since the Bank Act of 1845, has there been a great extension of branches in Ulster?—Very great.

3434. Can you state the number of branches that there were in 1845 and the present number?—The present number of branches and agencies of the three banks is 200; in 1845 it was only 42.

Mr. *William Shaw.*

3435. Are they all in Ulster?—Very nearly all the branches of the three banks.

Mr. *J. T. Bristow.*

7 June 1875.

Mr. *Mulholland.*

3436. Is it a fact that there are now branches in every important town in Ulster?—That is so.

3437. And that there are sufficient banking facilities throughout the whole of Ulster for the agricultural and business wants of the public?—I think so.

3438. Has your circulation increased very much since 1845?—It has.

3439. Will you state what is the authorised issue of the three banks and the present issue?—The authorised issue of the three banks amounts to about 830,000 *l.*, and the actual issue amounts to about 1,600,000 *l.*

3440. What gold is now held against the excess of issue?—The three banks hold in gold about 1,000,000 *l.* in round numbers; that is the average amount of gold.

3441. Can you tell how much that is per cent. upon your circulation and liabilities together?—On circulation and liabilities together, the average of the three banks would be about from 11 to 12 per cent.

3442. Is it your opinion that the present circulation in Ulster is quite sufficient for the wants of the public?—Quite.

3443. And that you could not increase it, but that if you issued more notes they would be returned to you?—Yes, certainly.

3444. Have you to get gold over from England at certain periods of the year for your excess of circulation?—Yes.

3445. At what period?—In the month of October.

3446. To what amount?—From about 100,000 *l.* perhaps to 150,000 *l.* for each of the three banks.

3447. Has each of the three banks to get a corresponding amount?—Yes, I suppose 150,000 *l.* would be perhaps the average for each.

3448. Why could you not get that from the Bank of Ireland, who we are told are always shipping gold to England?—The Bank of Ireland might not be able to give us all we want, and some of the banks believe that they can get it from England on cheaper terms than they could get it from the Bank of Ireland.

3449. You can get it at less cost from England than you can from Dublin?—We can get it at less cost from England. The Bank of Ireland of course are not bound to give it us, and we could not reckon upon getting it when we wanted it, unless we had arranged with them beforehand.

3450. Are the charges of the three banks the same for loans and discounts?—They are.

3451. Can you tell the Committee upon what principle they are based?—They are based upon the Bank of Ireland rates.

3452. Does the Bank of Ireland follow the Bank of England?—The Bank of Ireland follows the Bank of England as regards English bills. The Bank of Ireland minimum rate is the minimum rate of the Bank of England, but we have higher rates. The fluctuations follow the Bank of England rate.

3453. Do you consider that the right to issue notes is of great importance both to yourselves as bankers and to the people of Ulster?—Yes.

3454. There is a strong national prejudice in favour of 1 *l.* notes, is there not, in Ulster?—There is.

Mr. *Mulholland*—continued.

3455. And the circulation of gold would not suit the tastes of the people?—Not at all.

3456. Have the deposits been increasing of late years?—They have.

3457. Do they continue to increase?—They continue to increase.

3458. Is it your opinion that the agricultural districts in Ulster are prosperous?—Yes, they are.

3459. Your deposits are chiefly in the agricultural districts, are they not?—Chiefly.

3460. And your loans are in the towns?—Our loans are in the towns.

3461. Can you employ all your funds, both capital and deposits, in Ulster?—We can.

3462. We had it stated on our last day of meeting, that there was no possibility of a non-issuing bank competing in districts occupied by issuing banks; has the Hibernian Bank lately opened a branch in Ulster?—They have opened, I think, five branches in Ulster lately.

3463. Is it true that that bank has offered rather better terms to attract business?—I have heard that it has.

3464. Is it your opinion that Bank of Ireland notes are not a legal tender?—I have always thought that they were not.

3465. It has never occurred to you, I suppose, that you could offer them in payment for your own notes?—No.

3466. Do the other banks, the Belfast and Ulster Banks, employ their funds also in Ulster?—Principally.

3467. There are two other banks that have considerable business in Ulster, are there not, namely, the Provincial and the Bank of Ireland?—Yes.

3468. But you are not authorised to speak on behalf of them?—No.

Mr. *William Shaw.*

3469. Your banks are founded, I believe, very much upon the Scotch principle?—Yes.

3470. You give cash credits and take accounts on a system very similar to that of the Scotch banks, do you not?—Yes.

3471. Do you think that you could have put out anything like the number of branches in Ulster, but for your circulation?—I do not think we could.

3472. You could not have worked the country as it has been worked?—Not without the privilege of circulation.

3473. And you value that privilege pretty highly?—Yes.

3474. What is your estimate of the actual cost of the circulation?—We reckoned that it costs us very little over 1 per cent.

3475. That is the general opinion about the cost of circulation, is it not?—The three banks that I have spoken to about it, believe that that is about the cost.

3476. In that cost do you estimate the necessity for keeping gold to meet your notes, or is it merely the mechanical cost of making the note, and the duty?—It is the mechanical cost of making the note, and the duty.

3477. You would have to keep a certain amount of gold in your banks, at all events, I presume, for ordinary purposes?—Yes.

3478. It is a very great cost to you to have to keep such a large amount of gold to protect your issue, is it not?—Yes.

3479. Would

Mr. *William Shaw*—continued.

3479. Would it be any great advantage if you could use Bank of England notes instead of gold?—That is, in fact, making Bank of England notes a legal tender in Ireland. It would be an advantage to us, inasmuch as they could be more easily brought there and sent away, but still there would be exactly the same loss of interest.

3480. You would not have to pay the same commission on wear and tear?—No, and we might get them in smaller amounts by post.

3481. I believe a Bill of that kind was introduced some years ago?—Yes.

3482. Do you think that that would be an improvement upon the present system?—It would be some advantage to the banks in the way I say.

3483. You think that there is no great room for the extension of banking in the north of Ireland now?—I do not think there is.

Mr. *Backhouse.*

3484. Do you allow interest on current accounts?—No, not unless in some particular cases, such as charitable accounts.

3485. Do you charge commission on accounts?—No.

3486. Do you charge commission on payments in London?—Yes.

3487. What is the rate per cent. of commission for payments in London?—We charge 1*s.* 6*d.* per cent. for drafts upon London, and for the retirement of acceptances 2*s.* 6*d.* per cent.

3488. Do you discount much for parties residing in England or Scotland?—No.

3489. Are you obliged to keep more gold in consequence of your excess of issue than you require for your ordinary banking business?—We are.

3490. Do you keep your reserves against your liabilities in London, or do you keep them in Ireland?—We keep balances in London.

Mr. *Stephen Cave.*

3491. The 150,000*l.*, which you state you require from England in October, is, of course, against the excess of issue at that time?—It is against the excess of issue at that time.

3492. You do not use the gold?—No, not at all.

3493. In fact you hardly unpack it, I suppose?—Very often we do not unpack it.

3494. It is sent back in the packages in which it comes?—Yes; but we are sometimes charged for light gold on the very gold which we brought over as heavy, without its being unpacked.

3495. You stated, did you not, that the Hibernian Bank, which is a bank of non-issue, has lately opened two branches in Ulster, and that they offer very good terms to the public?—I only know from hearsay, because they have not come into competition with ourselves, but I believe they have offered higher rates for deposits.

3496. That proves, does it not, that the non-issuing banks can do a good business, even in competition with an issuing bank, in a well-banked country?—I do not know whether it proves that altogether. The Hibernian Bank do not allow higher rates upon their whole business than we do; they do not give better terms to the public on their whole business, so far as I am aware, but in those five towns where they have met the northern banks, they have allowed people a higher rate in exceptional cases, and the cost to them there would be very trifling if it was not done over the whole of their branches.

Mr. *Stephen Cave*—continued.

3497. Do they give equally good terms with you over the whole of their district?—The cases that I have heard of are only cases of large deposits; but I am only speaking from hearsay.

3498. Are the accounts of all the banks for which you speak published?—They are not. The accounts of the Ulster Bank are the only ones published.

Mr. *Goschen.*

3499. Do you meet any banks in competition with you where you have your branches?—Yes, there are many towns where we have branches where there are two other banks. Our competition is exclusively with issuing banks, except in two or three cases where the Hibernian Bank have latterly opened branches.

3500. So that you have had no experience as to the extent to which non-issuing banks can compete with the issuing banks?—None.

Mr. *Hubbard.*

3501. Is not the difference between an issuing bank and a non-issuing bank in regard to the accommodation to the public merely this: that the issuing bank has, as it were, a command of additional capital in their power of issue?—Yes, that is partly so.

3502. And therefore the advantage that they can give to the public is no more than any other bank having an additional capital could also give; is not that so?—I do not quite understand the question.

3503. The power of issue is equivalent to so much capital, is it not?—Yes.

3504. Therefore an issuing bank stands in the same position, does it not, as a non-issuing bank with an additional capital equivalent to the power of issue?—Except that in the one case they have not to pay for the capital, and in the other they have.

3505. In assuming that the power of issue is equivalent to so much capital, of course, I imply also that it is equivalent to the annual value of so much capital; that is to say, that if a bank has the power of issuing a million sterling they are in the same position as if they had had a million of additional capital worth 30,000*l.* a year?—A million of money in capital and a million of money in notes, if I understand you aright, you look upon as exactly the same thing.

3506. As regards the power of doing business with the public and giving them accommodation it is the same thing, is it not?—As regards giving the public accommodation it may be so; but as regards the bankers that do it, it is a very different thing, because they must have a return for their capital in some shape or another, and the issue they pay nothing for.

3507. So long as they have the power of issue, it is as if they were richer by so much capital, is it not?—Yes.

3508. But as regards the public, is there any advantage derived by the public from their dealing with an issuing bank beyond that which they would derive from dealing with a non-issuing bank,

Mr. *J. T. Bristow.*

7 June 1875.

Mr. *Hubbard*—continued.

bank, but with a larger capital?—I think the right of issue gives a bank of issue a power of accommodating the public to an extent that no non-issuing bank that I have ever heard of would have capital enough to do.

3509. Will you explain in what that power consists?—The power consists in two things. One is that they have the use of the amount of issue which they are authorized to issue, and so much more as they would keep gold for, for their own ordinary wants; they have the power of using that without any cost, except the cost of manufacturing it. It also gives them the power of opening branches, and it supplies those branches with cash without their losing interest by having to keep money either in gold or in the notes of other banks, in the tills of those branches.

3510. Is not the power of issue either at the central office or at the branches limited by the limitation of the issue?—It is unlimited. We may issue to any amount if we keep gold beyond the authorized amount.

3511. So any other bank may get bank notes or sovereigns and do business with them; but so far as regards the power of issue, is not the advantage limited to the limitation of the issue itself?—Not entirely, because every bank must keep an amount of gold for its ordinary wants and to cover any claims that may be made upon it for deposits or other liabilities. So far as that amount of gold is held by a bank they have the power of issue opposite that, free of any charge, except what the authorized circulation is subject to.

3512. As I understand you, you mean this: that an issuing bank apart from, and over and above its power of issue, has the power of issuing upon the amount of gold which it would have to keep with reference to the responsibility of its deposits, but which it makes available for an additional issue of notes?—Yes.

3513. In fact it makes that gold answer two purposes; it is responsible for the deposits, and it is responsible for the notes?—Yes.

3514. That is the advantage which an issuing bank has over a bank simply with a larger capital?—That is one of the advantages.

3515. Is there any other advantage?—There is the advantage that I mentioned with regard to branches.

3516. Is not the branch only another subdivision of the main question with reference to the power of issue?—Not altogether, because the amount of money which may lie dormant at a branch, if it is not issued, if it is in our own notes, is not actually costing us money; it is lying in our safe. We can send any amount of notes to a branch, and they will cost us nothing until they are issued by that branch.

3517. But you would not leave notes lying at one of your branches if those notes were not part of your authorised issue?—They are not looked upon as issued while they are lying at the branch.

3518. They are part of the issue which you would send into circulation as against bullion, are they not?—Yes; but they are not actually in circulation when they are at the branch.

Mr. *Backhouse.*

3519. I take it that the power of issuing notes saves you considerable expense in till money at every branch?—Yes.

Mr. *Backhouse*—continued.

3520. For instance, at a branch where 10,000 *l.* is required to work the business, if you have the power of issue, you merely have 10,000 *l.* of unissued notes at that branch?—Yes.

3521. Whereas if you had not the power of issue you would have to keep 10,000 *l.* currency there?—Yes.

3522. That would be equivalent to, say 300 *l.* a-year of extra expense in conducting that branch, would it not?—Yes; we keep no money at the branches except whatever supply of gold might be necessary, and our own notes.

Mr. *Stephen Cave.*

3523. You do not compute that 10,000 *l.* worth of notes as part of your authorised issue?—We do not count it as part of the issue until it is actually in circulation.

Sir *John Lubbock.*

3524. Therefore, the right of issue is much more valuable to a bank with many branches than it is to a bank with few branches, is it not?—It is.

Sir *Graham Montgomery.*

3525. What license duty do you pay upon your notes?—We pay a stamp duty of 7 *s.* per cent., but we pay no license duty.

Mr. *Sampson Lloyd.*

3526. Is that owing to a provision in your charter?—No, it is by the Act of 1845; we only pay for the three or four depôts which we may have; we pay for the head offices; we have three depôts, and we pay 30 *l.* a depôt.

Sir *Graham Montgomery.*

3527. When you establish a new branch you do not pay any license duty to the Government on that new branch?—No, we only pay stamp duty upon the additional circulation.

Mr. *Stephen Cave.*

3528. The license applies simply to depôts, and not to branches?—Just so.

Sir *John Lubbock.*

3529. In estimating the cost of circulation at one per cent., do you include clerical labour and book-keeping?—Yes.

3530. When you said that there was a national prejudice in favour of 1 *l.* notes, did you use the word "prejudice" as implying that it was an unwise feeling?—Not at all; I merely meant that there was a national liking for them.

3531. Then, if either with a view of regulating the exchanges, or of meeting a drain which might arise from a bad harvest, or from any other cause, it was considered desirable to put an end to the circulation of 1 *l.* notes, and to have a gold circulation, such a change as that would, in your opinion, inflict a great loss upon Ireland?—Very great, I think.

3532. With reference to the advantage of a note circulation, is there not another advantage in it, inasmuch as it acts as an advertisement of the bank?—Yes, it does to a certain extent.

3533. You stated, I think, that the amount of the authorised circulation of the three banks on whose

Sir *John Lubbock*—continued.

whose behalf you speak, is 810,000 *l.*?—About that.

3534. And their actual circulation is about 1,600,000 *l.*?—Yes.

3535. The amount of gold is about 1,000,000 *l.*, I think?—Yes.

3536. And the excess of the actual circulation over the authorised circulation is 990,000 *l.*?—Yes.

3537. So that the amount of gold held is very little more than has to be held against the excess of note issue?—The average amount of gold is not much more.

3538. According to these figures, the excess being 990,000 *l.*, and the amount of gold being 1,000,000 *l.*, the difference would be 10,000 *l.*?—I think that 700,000 *l.* is the difference between the authorised circulation and the real circulation at present; the authorised circulation of the three banks is 834,000 *l.* in round numbers, and their actual circulation at present is 1,600,000 *l.*; that would leave a difference of 800,000 *l.*

3539. And the amount of gold being 1,000,000 *l.*, that leaves a balance of about 200,000 *l.*?—It is about 1,100,000 *l.*; that would leave between 200,000 *l.* and 300,000 *l.* more than we need have.

Mr. *Anderson.*

3540. You say that you fix your discount rate for English bills by the Bank of England?—The Bank of Ireland does, and we follow the Bank of Ireland.

3541. As to the local bills, do you arrange those with the other banks?—We follow the Bank of Ireland with regard to local bills too. The usual difference is, that taking the Bank of England limit as at present, at 3½ per cent., our charge for English bills, up to three months, would be 3½ per cent,; over three months to four months, it would be 4 per cent. Our charge for Irish bills under three months would be 4 per cent., and from three months to four months, it would be 4½ per cent. There is a difference of one-half per cent. between the Irish bills and the English bills.

3542. Do you keep any reserve with the Bank of England?—Not with the Bank of England.

3543. Have you seen the paper given in by the Scotch bankers upon the "Economist" principle, setting forth their whole costs against their whole deposits?—I have.

3544. Have you ever made up similar statements, with regard to the banks which you represent?—I have made them up for my own satisfaction. I compared with the other two banks before I came away, and we are all pretty nearly the same.

3545. Are you prepared to put in a paper showing the whole cost of your banks as compared with the whole of your deposits?—So far as we can ascertain, it costs us about 1½ per cent. upon deposits alone.

Mr. *Backhouse.*

3546. Does deposit include current account?—It includes the money at the credit of current account.

Mr. *Anderson.*

3547. Did you try your profits in the same way as against your deposits?—I have not the calculation as against the deposits, but I could easily make it up.

Mr. *Anderson*—continued.

3548. We have such statements from the Scotch and from the English provincial banks, and I think it would be as well for us to have a similar statement as to your banks?—I can give in such returns afterwards.

3549. Have you any change to suggest in the present state of matters?—No.

3550. For instance, your issue is considerably in excess of your authorised issue; would you not like your authorised issue extended?—We might like it if it were done, but we have no wish for any alteration.

3551. Are you afraid that if there were some alteration, it might, perhaps, take some other direction?—Perhaps it might. We are quite satisfied as it is.

3552. You would rather not aim at getting any share of the Bank of Ireland surplus issue?—No; we do not want it.

Chairman.

3553. You would not like to see the whole of the authorised issues of Ireland put together into an aggregate sum, and an arrangement made that the banks might together issue up to the total amount of that aggregate sum?—It might be a very difficult thing to arrange. I do not think that the banks could agree upon an arrangement of the kind.

Mr. *William Shaw.*

3554. Perhaps they might not be able to agree amongst themselves, but supposing that it were laid down by Act of Parliament, they would have to do it?—Yes.

3555. You stated that you do not publish accounts; I suppose that your bank place accounts before the shareholders?—We do not place the actual amount of deposits before the shareholders.

Mr. *Backhouse.*

3556. Do you print your own notes yourselves?—No.

Sir *John Lubbock.*

3557. Would you think it desirable to make any legislative changes which would lead to a diminution of the stock of gold held in Ireland?—I do not think that it would.

Mr. *Torr.*

3558. You say that the issue of notes is a great advantage to the bank which has the power of issue?—Yes.

3559. Have you compared the dividends paid by banks having the right of issue with the dividends paid by the non-issuing banks?—I have observed them.

3560. Do you see any great difference between the dividends paid by the one class of banks and those paid by the other?—No, there is not any great difference.

3561. How do you account for the fact that the non-issuing banks pay as good dividends as the banks of issue?—I cannot account for it.

3562. Would not that rather shake your confidence in the great advantage of the power of issue to the issuing bank?—I do not think it would; for I know the one, and I do not know the other.

Mr. *William Shaw.*

3563. Non-issuing banks seldom have a great number of branches, have they?—They have not.

Mr. *J. T. Bristow.*

7 June 1875.

Mr. *William Shaw*—continued.

3564. And therefore their expenses are less?—Yes.

3565. Have you stated the subscribed capital of the three northern banks?—The subscribed capital of each is 1,000,000 *l.*, and the paid-up capital of the three is 800,000 *l.* The paid-up capital of the Belfast Bank is 250,000 *l.*

3566. How much are the reserves of that bank?—£. 180,000; the Ulster Bank have 250,000 *l.* of paid-up capital, and 250,000 *l.* of reserve; and the Northern Bank have 300,000 *l.* of paid-up capital, and 170,000 *l.* of reserve.

3567. What dividends have they paid for the last year?—The last dividend which the Belfast Bank paid was 20 per cent.; the Ulster Bank paid 20 per cent, and the Northern Bank paid 15 per cent.

3568. Except the London non-issuing banks, are there any other non-issuing banks paying such dividends as that?—I do not recollect that there are.

Mr. *Balfour.*

3569. When you said that you kept your reserve in London, did you mean that you kept it at the Bank of England, or in the hands of bill brokers at call, or both?—We do not keep any at the Bank of England; we have no account with the Bank of England; the reserve which we have in London is kept at our own correspondents, and at bill brokers.

3570. Then do your own correspondents lend it out to bill brokers?—It is lying at our account with them at call.

Mr. *Sampson Lloyd.*

3571. You were asked by the honourable Member for Liverpool as regards the comparison between the dividends of banks of issue and the dividends of banks of non-issue; is not the comparison of dividends very much affected by the amount of paid-up capital in each case?—Yes.

3572. For instance, of two banks, one may have 250,000 *l.* of paid-up capital, and the other may have 1,000,000 *l.* of paid-up capital; both may do an equally profitable business, and except as regards the value of the 750,000 *l.* difference of capital at four per cent., or what not, the dividend may be preternaturally high in the case of the bank with the small paid-up capital, though its charges to the public may be as low as or lower than the charges of the bank with the 1,000,000 *l.* of paid-up capital?—Yes.

3573. Therefore, in your opinion can any fair comparision be made of the benefit to the public of issuing and non-issuing banks without taking the question of the paid-up capital into consideration in each case?—No, certainly not.

3574. In fact the benefit to the public of a bank having the privilege of issue, is that it brings into a small place the advantages of banking which without the privilege of issue that bank would not be able to afford?—That is my opinion.

Sir *John Lubbock.*

3575. In fact you regard the rate of dividend as being an entirely fallacious test?—Perfectly so, I think.

Mr. *Mulholland.*

3576. Have you established any branches outside of Ulster?—Very few. The three banks together have established 24 branches out of Ulster.

Mr. *Mulholland*—continued.

3577. Have you met with any of the non-issuing banks in any of those districts?—We (the Northern Bank) have not.

Chairman.

3578. Have you any branch or any agency in London?—We have no branch, but we have an agent.

3579. Do you think it desirable that you should have a branch office of your own in London?—We do not consider it desirable.

Mr. *Anderson.*

3580. That is because your business is purely a local one?—It is principally a local one.

3581. You have not a large amount of business that culminates in London?—No, the only part of our business that culminates there, or at least the principal part of it, is retiring our customers' acceptances that may be payable there.

3582. Is that part of your business increasing?—It has increased; there are more local bills made payable in London now than there were a few years ago.

3583. If it increases much further in the same direction, might it not be desirable for you to establish a branch in London?—I do not think that any convenience of that kind would induce us to do it.

Chairman.

3584. Do you consider that other Irish banks establishing branches in London gain any advantage over you by so doing?—The National Bank, who have a head office in London, are enabled to transfer money from Ireland to England, or *vice versâ*, or at least they do transfer money at a lower cost than the other banks do.

3585. Do you consider that that gives them an advantage over you?—It gives them an advantage if the opening of an establishment in London does not cost them more than they get by it.

3586. Do you consider that it is equally open to you to do it as it is to them?—I believe that there is nothing to prevent our doing it.

3587. But although that gives them an advantage, you do not think that you would gain enough by doing it to compensate for the expense of establishing a branch in London?—The amount of our London business is not at all such as would lead us to think of it.

3588. And local business you think you can carry on quite sufficiently without a branch in London?—Yes.

Mr. *Backhouse.*

3589. In fact, I suppose that the charges made by London bankers for conducting your accounts are less than the cost would be of establishing and maintaining a branch in London?—I believe they are.

Mr. *William Shaw.*

3590. About half your flax, I believe, is foreign flax?—It varies very much from year to year.

3591. And almost all the payments for that are made in London, are they not?—Almost all the payments for that are made in London.

3592. And you think, on the whole, that it pays you better not to attempt to establish a branch in London?—We think so.

Mr. *Mundella.*

3593. But supposing that you saw it to be to your interest

Mr. *Mundella*—continued.

interest to establish a branch in London, you are not aware of anything that should prevent your doing so?—I am not aware of anything.

Mr. *Willlam Shaw.*

3594. Except the dangers and difficulties of London business, which might frighten you?—Yes; but there is no impossibility, and nothing to prevent our doing it if we wished it.

Mr. *Mulholland.*

3595. Your chief reason for that conclusion, I suppose, is that you are able to employ all your capital and deposits locally?—Yes.

3596. If they increased very much, so that you could not employ them locally, that might alter your opinion, I presume?—It might.

Sir *John Lubbock.*

3597. You could employ them quite easily in London by correspondents and bill brokers, could you not?—We can quite well now.

3598. Do you consider that a good deal of responsibility would be involved in opening an office in London?—There would be a good deal of responsibility and a good deal of risk.

3599. And you think that such a business would not be so conveniently managed by a local board sitting in the North of Ireland?—We think not, as it should be managed.

3600. On the other hand, if the board sat in London you would consider that the local district was not likely to be so well served as by a local board?—We think that the directors or managers ought to be as near the centre of their operations as possible.

Mr. *Balfour.*

3601. Do you get any interest upon the money which you have with your agents at call?—It is a matter of arrangement.

Thursday, 10th June 1875.

MEMBERS PRESENT:

Mr. Anderson.	Mr. Leveson Gower.
Mr. Backhouse.	Mr. Kavanagh.
Mr. Balfour.	Mr. Sampson Lloyd.
Mr. Campbell-Bannerman.	Sir John Lubbock.
Mr. Stephen Cave.	Mr. Mulholland.
Mr. Chancellor of the Exchequer.	Mr. William Shaw.
Mr. Orr Ewing.	Mr. Torr.
Mr. Goschen.	

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. GEORGE READMAN, called in; and Examined.

Mr. *Readman.* 10 June 1875.

Chairman.

3602. ARE you the Manager of the Clydesdale Bank?—I am.

3603. What is the constitution of that bank; is it constituted under Royal Charter?—No, under contract of co-partnery.

3604. How long has that bank been in existence?—Since 1838.

3605. What is the capital of the bank?—£. 1,000,000 now.

3606. What was it originally?—It was always 1,000,000 *l.*; but it was not always all paid-up.

3607. It is now all paid-up, is it?—Yes.

3608. Has the bank many branches?—We have altogether 79 branches.

3609. Does that include the branches in England?—Three in Cumberland.

3610. What has been the progress of the bank in late years in throwing out branches; has it thrown out many branches within the last 10 or 12 years?—When I joined the bank in 1852, we had only 11 branches. Since that time we have had amalgamations with two other banks; and besides these, after the failure of the Western Bank in 1857, by a kind of arrangement with them, or, at all events, with the concurrence of the liquidators, we got a good many of their branches.

3611. You amalgamated with two other banks, besides taking up the branches of the Western Bank?—Some of them, but not all.

3612. What were the two banks which you amalgamated with?—The Edinburgh and Glasgow Bank in 1858, and the Eastern Bank in 1863.

3613. Does your bank chiefly do business with a particular portion of Scotland, or is it fairly spread over the whole country?—It is chiefly in the west of Scotland, in the neighbourhood of Edinburgh, and as far north as Montrose, but not north of Montrose or Brechin. We have no branches in the extreme north of Scotland.

3614. Can you say that you are connected with any particular classes of business?—Our business is very general.

3615. When was it that you began to consider

Chairman—continued.

the question of opening branches in Cumberland?—About the end of 1873.

3616. The question had not been mooted before that?—Not exactly in Cumberland. We had the question of opening branches in England under consideration for a great many years.

3617. When did you first have under consideration the question of opening branches in England?—It is so far back as 20 years.

3618. That was in 1855?—That was in 1855.

3619. Why did you not open them then?—There were a number of reasons which induced us not to open them. While we had the matter under consideration, and before we were prepared to act, the failure of the Western Bank occurred; and we had a very large accession of business from that cause. In the following year the Edinburgh and Glasgow Bank was united with us, and later on the Eastern Bank, and that brought us another accession of business. I may also mention that in 1864 and 1867 two other banks established themselves in London, and they having begun in London we thought we would just look on and see how they succeeded.

3620. Then your reason for not proceeding to open branches in England was that you found that you had enough on your hands, and you did not wish to begin that extension, and not that you had any reason to think that there would be legal or other difficulties in the way?—We were satisfied that there were no legal difficulties at that time.

3621. Did you inquire into your legal position with regard to England at that time?—Yes.

3622. Did you take counsel's opinion?—We took counsel's opinion of both the English and Scotch Bars.

3623. Have you any opinions or evidence that you could give the Committee with regard to the legality or otherwise of your establishing branches in England?—The two counsel, whose opinions we asked, were Sir Roundell Palmer in England, and Mr. Moncrieff (who, I think, was then Lord Advocate, at all events, the present Lord Moncrieff) in Scotland. I have searched for the opinion

Chairman—continued.

opinion of Lord Moncrieff, but I cannot find it; but I have the other. There are some points in it connected with the internal management of the bank, and the interpretation of our own contract, but I am quite willing to put it in.

Mr. *Orr Ewing.*

3624. What is the date of that?—Sir Roundell Palmer's opinion is dated the 27th November 1855. (*The same was delivered in,* vide *Appendix.*) I can put in also the contract of co-partnery, if the Committee desire it.

Chairman.

3625. Will you state what were the inducements which led you to open branches in Cumberland?—We have a very extensive connection in Glasgow and the West of Scotland with the iron trade and with large ironmasters; nearly all of whom have establishments in Cumberland. It was suggested to us that it would be a convenience to them, and an advantage to ourselves, if we had branches in that district. In addition to that there is considerable intercourse between the opposite shores of the Solway Frith; we have several branches in Dumfrieshire and in Wigtonshire. Lastly, we were led to understand that there was a very large Scotch population scattered along the shores of Cumberland. Those were the inducements that led us to entertain the proposition.

3626. How many branches have you opened in Cumberland?—Three.

3627. Will you state where they are?—Carlisle, Workington, and Whitehaven.

3628. What kind of business have you done there?—The ordinary general banking business, receiving money, and when we think fit, lending it out.

3629. Have you ever issued Scotch notes there?—Never; not one.

3630. Have you taken in notes of Scotch banks there?—We have.

3631. Have you made any charge or commission upon them?—We have not charged anything to our own customers bringing Scotch notes; but we have charged to strangers.

3632. What commission have you charged?—3 *s.* 6 *d.* per cent., much the same as the commission on a document payable in Scotland.

3633. Much the same as you would charge if anybody brought you a cheque upon the Royal Bank?—Yes.

3634. Can you state what amount you have received in that way?—Yes. I have returns here from three branches, from two of them in perfect detail, but from the third one, which is not a very large one, not so perfect. I will state the figures of each if you choose. At Carlisle, between the 7th of February 1874, and the 8th of June, the present month, we have taken in 903 1 *l.* notes of our own bank, and 1,235 *l.* in 5 *l.* notes and upwards of our own bank. In 1 *l.* notes of other Scotch banks, in the same period, we have taken in 10,376 *l.*, and in notes of other Scotch banks of 5 *l.* and upwards, 14,540 *l.*; making a total sum, at Carlisle, of 27,054 *l.* At Workington in the same period, we took in eight 1 *l.* notes of our own bank, and 110 *l.* in notes of 5 *l.* and upwards; 313 1 *l.* notes of other Scotch banks, and 150 *l.* in notes of 5 *l.* and upwards of other banks; making a total of 581 *l.* In Whitehaven, up to the 24th of April last, they had not

Chairman—continued.

kept a distinct account, but the total sum of every kind of note was 1,883 *l.*; and as an instance that they are not different from the others, I may mention that between the 24th of April and the 8th of June the notes of the Clydesdale Bank received at Whitehaven were 14 1 *l.* notes, and 190 *l.* in notes of 5 *l.* and upwards; 107 1 *l.* notes of other banks, and 75 *l.* in notes of 5 *l.* and upwards of other banks; making a total of 386 *l.* The total of the whole is 29,470 *l.*; and I may mention that at Whitehaven and Workington most of our notes come from other banks in the place and not from the public.

Mr. *Goschen.*

3635. Could you state what proportion of those notes came from your customers?—The whole thing is such a bagatelle that we have not paid much atttention to it.

Mr. *Orr Ewing.*

3636. What proportion did you receive from other banks?—Taking the case of Workington, for instance, I think that from the 7th of February 1874 to the 24th of April, there were eight 1 *l.* notes of the Clydesdale Bank, one of which came from another bank; and 105 *l.* out of the 110 *l.* in notes of 5 *l.* and upwards, came in the same way from other banks.

3637. Did you charge the banker a commission in those cases?—I cannot say, but I almost think not.

3638. In the event of your not having had a branch there, what would have become of those 1 *l.* notes?—If they did not give them away themselves they would send them to us or to some other banker in Edinburgh or Glasgow.

3639. It is a convenience to the other banks that you are there to receive them?—Yes, but it is really a very small affair altogether.

Mr. *Goschen.*

3640. Is it considered a convenience by the other banks, so far as you know, that you have established yourselves in Cumberland?—It is such a very small matter, that I think it would not enter into their calculation.

3641. But is it considered a convenience by the other banks?—I think that Mr. Orr Ewing meant simply as regards these notes; it saved them the risk of sending through the post.

3642. But have you ever heard that it was considered a convenience by the other banks?—I never heard it mooted one way or the other.

Mr. *Orr Ewing.*

3643. The convenience was not considered so great that they would ask you to establish a branch there?—No.

Mr. *Goschen.*

3644. Do you cash bills upon Scotland to any extent?—Not to any great extent.

3645. Not to an extent equal to that of the notes?—Yes, very much greater.

3646. Have you any details with regard to the bills which you have cashed?—I have not.

3647. What would you charge on those bills?—The same rate as we charge in Glasgow.

3648. What would you charge to your customers on Scotch bills?—The same rates as we should charge to any of our customers in Scotland.

3649. Would there be any agency charged to

Mr. *Readman.*

10 June 1875.

Mr. *Goschen*—continued.

your customers for cashing bills on Scotch banks?—We never cash bills on Scotch banks.

3650. Do you make any charges on bills on Glasgow and Scotch traders?—They would be treated in every respect as if they were cashed in Scotland.

3651. Would your customers have an advantage, as regards bills on Scotland, in doing the business through you, as compared with doing it through an English bank?—I cannot tell what the English bank charges are.

3652. Supposing that there were a bill of 5,000 *l.* on Glasgow in the hands of some one at Carlisle, would he have an advantage in paying it through your agency as compared with paying it through an English bank?—He would have the advantage if our rates were lower than the English rates, but I do not know what the English rates are.

3653. Your managers would know, no doubt?—Yes.

3654. But you have never been informed whether the rates at which you are doing business in Cumberland are above or below the English bank rates?—It is a subject that is very little touched amongst banks themselves. Your neighbours do not tell you what they are doing.

3655. You tell all that you do?—Yes, we publish our scale of charges, but so far as I am aware the English banks do not.

Mr. *Orr Ewing.*

3656. I presume that you do not expect to do a large business in England, unless you can give the public some advantage?—Unless they prefer us to the English banks, of course they will not come to us.

Mr. *Goschen.*

3657. You come with your Scotch system into England, and you feel that by that you are able to do the business more cheaply to your customers residing over the Border than the English banks could do it themselves?—I am not prepared to say that, because I do not know what the other banks charge.

Sir *John Lubbock.*

3658. Then you do not mean to say that you do the business any more cheaply than the Cumberland banks?—I cannot tell that, because I do not know what they charge, but we treat our customers in Cumberland in the same way as they are treated if they are living in Scotland.

Chairman.

3659. Do you understand that the charges of the Cumberland banks are higher or lower than yours?—I have been told that they are higher, but I am not prepared to speak on that subject. Mr. Gordon will be able to answer these questions better than I can do.

Sir *John Lubbock.*

3660. By whom were you told that you were higher?—I have been told so by our own agents.

Chairman.

3661. Are you aware how many joint stock banks there are in Cumberland with privileges of issue?—There are five.

3662. Do you consider that you are in any different position in Cumberland from the position in which one of those banks would be if it opened

Chairman—continued.

business in Scotland?—No, I think that we are in the same position.

3663. It is open to any of those banks to establish a branch in Scotland, if it pleases?—I understand so. We have no issue in England.

3664. But you consider, do you not, that you have the right of having a branch in London?—The opinion which I have put in says so, and we think so.

3665. But you consider that these five joint stock banks would not have that right?—As I understand the law they would not if they had an issue.

3666. Therefore you are on a footing of advantage as compared with them, are you not, in respect of your being able to go to London, which they are not able to do?—They are at a disadvantage as compared with us, I think.

Sir *John Lubbock.*

3667. When you pay one of your own 1 *l.* notes I think I understood you to say that you make a small charge; would you mind saying what it is?—3 *s.* 6 *d.* per cent.

3668. How do you charge that upon a 1 *l.* note?—I suppose it is about ¾ *d.*; if a gentleman, as sometimes happens, returning from Scotland, came into our bank in Carlisle and said, "I have got two or three Scotch notes, will you be kind enough to change them for sovereigns?" If we knew anything about him we would take them; I do not suppose that we should charge ¾ *d.* each for them, but the charge is 3 *s.* 6 *d.* per cent. for any amount.

3669. And that is your usual charge in fact?—Yes, to others than our own customers.

Mr. *Campbell-Bannerman.*

3670. I presume that the same gentleman going into one of the Cumberland banks with his two or three Scotch 1 *l.* notes would be treated in the same way?—I do not know it, but I should be very much surprised if they did not do it.

Sir *John Lubbock.*

3671. If a customer of yours in Cumberland pays into your bank a cheque drawn upon one of the Scotch banks, do you make him a charge for collecting it?—My impression is that we do, but it is one of those details which it is impossible that I can carry in my mind.

3672. As between your Cumberland branch and your Glasgow branch I presume that the Glasgow branch would make no charge upon the Cumberland branch for paying a cheque drawn upon it?—Yes, we should unless it were paid to the party himself.

3673. I understood you to say that the Cumberland branch of your bank would make a charge to your customer, but would the Glasgow branch of your bank make a charge to the Cumberland branch of your bank for paying a cheque drawn upon it?—That is a cheque upon ourselves, and we would not make any charge; but if a person came to the bank in Glasgow with a cheque upon Cumberland, we should make a charge upon him for cashing that cheque, and I have no doubt that it would be *vice versâ*.

3674. But if your Cumberland branch received a cheque drawn upon one of your branches over the Border, your branch over the Border would make no charge to your Cumberland branch for paying

Sir *John Lubbock*—continued.

paying that cheque?—No; that is a mere question of book-keeping entry.

3675. As between the English issuing and non-issuing country banks, the issuing banks, of course, have the advantage of the issue, but the non-issuing banks have the advantage of the option of going to London if they choose to do so?—Certainly.

3676. As regards the Scotch issuing banks and the English non-issuing banks, the English non-issuing banks would have no such corresponding advantage, would they?—They can come to London, as I understand it, when they like.

3677. I think I understood you to say, when you stated that the general charges of the Scotch banks were lower than those of the Cumberland banks, that you were stating that upon the authority of your own managers?—I rather hesitated to make the statement, and I think that I did not make that statement; I said that I was told so, but I have no means of knowing it for myself.

3678. You were told so by your own agent?—We are told so by our own agents, but I do not give that as evidence.

Mr. *Orr Ewing.*

3679. In 1874 you seem to have put yourselves to some trouble to get up statistics as to the condition of the English banks in defence of your own position?—Yes; it was addressed to the Chancellor of the Exchequer.

3680. You there got some rather interesting statistics as to the lapsed circulation in England since 1844, which I think you made out to be about 2,000,000 *l.*?—Yes, rather over 2,000,000 *l.*

3681. Can you state how much circulation had lapsed in consequence of the failure of banks in England?—Twenty-nine private banks failed with a circulation of 517,000 *l.*; and two joint stock banks with a circulation of 48,000 *l.*, making a total of 31 banks whose circulation lapsed by failures.

3682. And the total amount of lapse of circulation by failures was 565,521 *l.*, was it not?—Yes.

3683. Then as to the issue of Bank of England notes, 13 banks seem to have made terms with the Bank of England, their issues amounting to 637,373 *l.*?—Yes.

3684. There were 17 banks closed or dissolved, having had a right of issue of 254,330 *l.*?—Yes.

3685. Then there were incorporated with other banks, 31 banks with a right of issue of 455,075 *l.*?—Yes.

3686. Then from causes not stated, the circulation of six banks with an issue of 82,592 *l.* lapsed?—Yes.

3687. Then there is another bank?—Yes, Messrs. Gee & Co., I believe; the total is 1,994,000 *l.*, so that it is very close upon the 2,000,000 *l.*

Mr. *Backhouse.*

3688. Where did you get those figures from?—From the "Banker's Magazine."

Mr. *Orr Ewing.*

3689. As we have a difficulty in getting information from the English banks, could you supply to the Committee a statement similar to that, since the year 1790?—I have no means that I know of of getting that information.

Mr. *Orr Ewing*—continued.

3690. Are you aware of the enormous failures that took place amongst the private banks in 1793?—I am not very familiar with the banking history of the last century.

3691. Do you know any source from which we could get that information, so that it might be laid before the Committee?—I do not know of any, except it is in the Parliamentary Blue Books; it might be found in them in some form or other.

3692. Are you aware that we have no such disastrous state of matters in Scotland?—There has been only one lapsed issue since 1845 in Scotland.

3693. I suppose that you attribute that very much to the Scotch system of banking?—The Scotch banks have been stronger, I presume.

3694. You have been very careful in your dealings with the public?—We do our best.

3695. Your losses by bad debts are infinitesimally small, are they not?—We make them as small as we possibly can; we have no great amount of bad debts.

Mr. *Campbell-Bannerman.*

3696. Do you make any difference in your treatment of Scotch notes, between the notes of your own bank and the notes of other Scotch banks?—I believe not.

3697. You charge the same commission, where a commission is charged?—I believe so, to strangers.

3698. To your own customers?—No, I said at first, that we took the notes of our own customers free.

3699. Whether they are the notes of your own bank or of other Scotch banks?—I apprehend so, but I cannot answer these questions with perfect certainty.

3700. Has the opening of branches in Cumberland had any effect upon your circulation?—Not the least.

3701. In fact, your privilege of issue in Scotland gives you no advantage over your neighbours in Cumberland, *quoad* Cumberland?—In regard to the circulation, not in the least.

3702. Nor in anything else?—No.

3703. The fact of your having an issue in Scotland does not give you any advantage over them, unless it be that that privilege enjoyed in Scotland increases the wealth and prosperity of the bank in Scotland?—Yes.

Mr. *Leveson Gower.*

3704. How do those notes come from Scotland to England?—In Scotland, as you are aware, we very seldom see a sovereign. Supposing that you are in Edinburgh paying an account of 8 *l.*, and you have two 5 *l.* Bank of England notes, they are almost certain to give you two Scotch 1 *l.* notes in exchange. But when you come across the Border, you find that those are of very little use to you, and if you know that you can get them changed at the Cumberland Union Bank, or the Clydesdale Bank, you very likely step in, and say, "I want gold for those two notes"; it is a mere matter of accommodation and exists to a very limited extent.

3705. Have you any reason to believe that the number of those notes coming to England has increased very much since the establishment of your branches in Cumberland?—I feel satisfied that it has not increased to any perceptible de-

Mr. *Readman.*

10 June 1875.

Mr. *Leveson Gower*—continued.

gree, for this reason: that we have always got from our correspondents, both east and west in the north of England, the Scotch notes that happened to come into their possession; they send them to us in Glasgow and Edinburgh for their credit, and I do not think that there has been any change whatever since we went to Cumberland.

3706. Do the Scotch notes pass from hand to hand in Cumberland?—I should think not. We do not issue them, and we never have done so.

3707. Is it your opinion that notes could circulate anywhere where they are passed?—It depends a good deal upon the circumstances of the place. I had no means of forming an accurate opinion upon that as to Cumberland, but the Scotch people prefer the 1*l.* notes to the gold.

Mr. *William Shaw.*

3708. Are there many Bank of England notes in Scotland?—Very few, I should say.

3709. They do not circulate among the people?—No.

3710. You get them in your banks, I suppose?—Yes, and then we send them up to London. In fact in some places they will scarcely look at a Bank of England note.

Mr. *Kavanagh.*

3711. You have no office in London, have you?—None.

3712. Will you tell the Committee what prevented your coming to London or having an office in London?—I mentioned various causes that induced us at the time to delay doing anything as to coming to London. Our hands have been pretty well occupied during all the time I have been manager, and we have not seen it to be our interest to come to London.

3713. But you believe that whenever you do see it to be your interest to come to London you can do it?—We do, most thoroughly.

Mr. *Backhouse.*

3714. Was there anything in your deed of copartnership that restrained you from coming to England?—No; we had a doubt about a clause, and therefore we took the opinion which I have handed in.

3715. Then your hesitation in 1855 did not arise from any necessity to alter your deed of copartnership?—No, the opinion of the two counsel whom we consulted was, that our contract quite permitted us to come to England.

3716. Are you registered under the Act of 1862?—Yes.

3717. When you first thought about coming to England in 1855, was it then your intention to go to London or to go into the country?—London was the thought then.

3718. The country is a more recent idea?—The country idea is more recent.

3719. I suppose your wish is to extend still further if you find it to answer?—I will give an answer to that bye-and bye when we have found whether it answers or not.

3720. I suppose you make the charges in Scotland according to the scale that has been put in?—We adhere to that scale, with some trifling exceptions, in Cumberland.

3721. Do you keep the same scale of charges in Cumberland?—With some trifling exceptions we do.

Mr. *Backhouse*—continued.

3722. What is the minimum rate of interest that you allow on deposits?—I think it is 1 per cent. at the present moment on the daily balance?—It is 2½ per cent. on what we call interest receipts, which you call here, I think, deposit receipts.

3723. What is the minimum rate that you ever allow on deposit receipts?—Two per cent.; it has never been lower, I believe, in Scotland for a hundred years.

3724. You say that all the banks adopt the same scale of charges in Scotland, and that they make the same allowance for interest?—Yes.

3725. If all their rates are exactly the same, how do you account for there being such a difference in your profit per cent. on your deposits? I observe that the Clydesdale banks' per-centage is 1*l.* 5*s.* 2*d.* on your deposits, whereas the City of Glasgow banks' per-centage is 17*s.* 2*d.*?—I know our business, but I do not know theirs.

3726. But a scale has been put in which places the general profits of Scotch banking at 1*l.* 1*s.* 11*d.* per cent. on their deposits; I observe in that scale very varying rates of profit per cent. upon the deposits, whereas it is stated that all the charges and all the allowances are exactly the same, and therefore one would conclude that the rate per cent. upon the deposits would be the same in each case; how do you account for the difference?—Other circumstances may enter in to affect that; but I can only speak for myself.

3727. Then you do not think the average of 1*l.* 1*s.* 11*d.* per cent. is any real guide as to the rate of charge to the public, taking the calculations from a per-centage on the deposits?—Each bank must judge for themselves in that matter; I merely state the facts as regards the Clydesdale Bank. If you will pardon me, I think you are mistaken as to our amount last year, I think it is rather less than that.

3728. It is stated to have been 1*l.* 5*s.* 2*d.* for 1874, the highest being the British Linen Company, which is 1*l.* 7*s.* 10*d.*, and the lowest the City of Glasgow, which is 17*s.* 2*d.* This statement is put into the Committee as a guide as to the charges to the public, and I see great variations in the Scotch rate received, notwithstanding the admission that the charges and allowances are all the same; I wanted to know how you accounted for those differences?—I cannot pretend to account for them.

3729. Then you do not think that the calculation is worth much as an estimate?—I have not seen the calculation, so that I cannot speak about it.

Sir *John Lubbock.*

3730. Do you think that the principle is worth much, putting aside the actual calculation?—It depends entirely upon the premises with which you set out; I have not seen the calculation nor am I aware of the principles which it tends to establish.

Mr. *Balfour.*

3731. What are the chief circumstances which would cause variation; bad debts and the expenses of branches?—Both those and the amount of money laid out at a lower rate.

3732. But I thought all the money was invested at the same rate?—It is a minimum rate.

3733. It

Sir *John Lubbock*.

3733. It would depend a great deal upon the nount of expenses too, would it not?—Cer-inly.

3734. Therefore, without knowing the expenses, ich a calculation would really be no guide?—ou would require to know the expenses and so the bad debts before you could come to a fe conclusion.

3735. And without those two elements that lculation is necessarily imperfect, is it not?—s I have already stated I have not seen the lculation, and therefore I cannot speak about it.

3736. Could any calculation be made showing e charge upon the public without knowing the ıd debts and expenses, because they vary con-derably in different banks?—They necessarily ill vary.

3737. And therefore you could not tell the ıarge upon the public, could you, without know-g those two elements?—I have the disadvantage not having seen this Paper, so that my answer ould be very much at random if I answered ıese questions (*the Paper was handed to the Vitness*); I have now seen this for the first time.

Mr. *Backhouse*.

3738. If a bank conducts its business so pru-ently as to put aside 30,000 *l.* more for bad ebts than is found to be necessary, it would ake a very serious difference in the principle of ıat calculation, would it not?—Certainly.

3739. I observe with regard to your statement f accounts that you say you hold 1,005,000 *l.*, hich includes cash balances at London and ountry bankers?—Yes.

3740. It is headed "gold and silver coin and otes of other banks;" does that include cheques n other banks which remain at the end of the ay?—Not one farthing.

3741. Then in what portion of those accounts re the cheques on other banks left with you for ollection?—I am really unable to answer the uestion off-hand. The amount in that case for certain day would not be a very large sum, but I know that the item here contains nothing but old and silver coin, notes of other banks, and noney lying at our credit with our London nd country bankers.

3742. You do not see any column in which heques waiting for collection would be placed?—I do not, at the present moment. It must come nder one of the other heads; the first most likely.

3743. Out of this 1,005,000 *l.* can you state ow much was absolute gold and silver held by he bank?—I could not tell you off-hand with nything like accuracy, but I could easily sup-ly it.

3744. I suppose it includes the cash held in the ills of your Cumberland branches?—Certainly; ut not our own notes.

3745. You have to hold 442,000 *l.* in gold gainst your over issue, have you not?—Not quite so much as that, I think.

3746. Your circulations is 717,000 *l.*, and your uthorised issue is 274,000 *l.*, is it not?—Yes, but his was taken before the exchange. We ex-hange three times a week, and this includes the gross amount of our notes which were in circula-ion on the night of the balance.

3747. What effect has the exchange upon your irculation?—The effect of the exchange would imply be, that probably 200,000 *l.* would come off hat.

Mr. *Backhouse*—continued.

3748. Would one exchange reduce your circulation in the hands of the public by about 200,000 *l.*?—It might do that; it would not be very much less than that on the 31st of December.

3749. May I conclude from that answer that if we had the circulation of all the Scotch banks before the exchange, it would amount to something like 2,000,000 *l.* more than is shown after the exchange?—It would amount to a very considerably larger sum, at the half yearly terms in May and November.

3750. Could you, in connection with your own bank, give the actual amount of the note issue, including the amount in the hands of other banks on each Friday in last May?—I think that we could give it for the month ending the 24th of April, because we had a daily exchange at that time.

3751. But could you give it for each Friday in May?—I think we could get it.

3752. Your calculation is much larger in May than in any other month, is it not?—It is.

3753. Can you give the amount of your own notes received at each exchange during the same month?—Yes.

3754. Have you made any calculation of the per-centage of your working expenses on your deposits?—Yes, about a guinea, I think, is a fair average per-centage.

3755. Your total liabilities, irrespective of notes, are about 7,500,000 *l.*, are they not?—Our deposits are 6,519,000 *l.*, acceptances 256,000 *l.*, and letters of credit *in transitu* and balances due to correspondents, 198,000 *l.*

3756. And out of that sum you have lent 6,471,000 *l.* to your customers on bills or advances, have you not?—Yes.

3757. Do you lend nearly the whole of the amount of your deposits to your customers in discounts and advances?—We have our own capital of one million, and our reserve of half a million.

3758. Your own capital and your reserve act as your banking reserve as well as capital?—They are used in our banking business.

3759. What rate do you charge on overdrawn accounts?—That varies from time to time.

3760. What rate have you charged in Cumberland?—The same as in Scotland.

3761. It amounts to 6 per cent. very often, does it not?—No, not since we opened there, I think.

3762. I think that the return states that the amount for last year was 5·51 per cent.?—Whatever it was, it was the same in Cumberland as in Scotland; I thought that it had not been quite so high.

3763. Are your discounts at the same rate?—At the same rate.

3764. Do you adopt the English system or the Scotch system in Cumberland?—The Scotch system.

3765. You do not charge commission on accounts?—Nothing.

3766. Do you charge for wages when you pay in gold and silver coin?—Nothing.

3767. Do you charge for honouring acceptances payable in London?—Yes, the same as in the Scotch system.

3768. When your rate in Scotland is higher than the rate in London, do you find that your Scotch customers send their bills out of the country to be discounted?—We endeavour to as-

Mr. *Readman*. 10 June 1875.

Mr. *Readman.*

10 June 1875.

Mr. *Backhouse*—continued.

similate our rate as much as possible to the London rate.

3769. Do you find that there is any large quantity of bills sent direct to London to be discounted?—I cannot speak from my own knowledge, but I believe it to be so.

3770. What are the nearest branches of your own bank to Cumberland?—Lockerbie, I think.

3771. How far is that from Cumberland?—It is 25 miles on the other side of the Border, if I mistake not.

3772. Do you not think that the fact of Scotch banks being established in the North of England, and the knowledge that the people can get Scotch notes cashed at those banks, will very much encourage the circulation of those notes in the North of England?—I do not think it will, in the least, from my experience of the 16 months that I have been connected with the Cumberland branches of the Clydesdale bank.

3773. You do not think that there has been any increase of late in the calculation of Scotch notes?—I do not.

3774. Do you not know that any circulating medium that is in good credit, and which it is known can be easily converted, passes more readily from hand to hand?—As a general principle, I should say that that is so.

3775. And as a general principle you would admit, I presume, that where there are facilities for cashing those notes that would tend to increase their circulation?—The best proof of the extent of that is the figures which I have given you, which show that the thing is a mere bagatelle.

3776. Supposing that the Cumberland banks state that the number of Scotch notes that have passed through their hands has doubled since the Clydesdale bank established itself in Cumberland, what effect would that have upon your view?—I should be very much surprised to hear it.

Mr. *Campbell-Bannerman.*

3777. It would not be to the interest of your bank to increase its issue, would it?—Very much the reverse.

3778. So that there would be no inducement for you to flood the north of England with 1*l.* notes of the Clydesdale bank?—Quite the reverse. If we could reduce our circulation by 100,000*l.* we should be very glad to do it.

Sir *John Lubbock.*

3779. But you have no control over it?—We have no control over it; it rests with the public entirely.

Mr. *Backhouse.*

3780. At the present moment you have to provide gold, have you not, for all your issues in excess of your authorised issue?—Yes.

3781. Is the whole quantity of gold kept by the Scotch banks more than sufficient for proper banking purposes and for safety, according to the principles of good banking?—That is a matter upon which there may be a great difference of opinion.

3782. Would you think it desirable that less gold should be retained in Scotland, if they were not obliged to keep gold against their excess of issue?—We should not, I think, keep less gold than we do, even if we were not obliged by Act of Parliament to keep gold against the excess of issue.

3783. Therefore the whole of your issue is a profit to you, is it not?—The whole of our issu is not a profit to us; our authorised issue is profit to us.

3784. If you are obliged to keep the gold i any event, and have the privilege of issuin against it, is it not true that the whole of thos issues are a source of profit?—If you treat it i that way, you may make it a profit in that shape but that is not quite the view in which I loo at it.

3785. I think you said just now, that in you judgment it was a benefit to Scotland that th banks there were compelled by Act of Parliamen to keep that amount of gold?—I said that w ourselves should not be likely to keep less tha we do.

3786. Is not the first element of banking in country, as regards the benefit of the country that it should be safe banking?—Certainly.

3787. And therefore anything that promote the safety of Scotch banking, even though it in volved rather more charges, would be for th benefit of the country, would it not?—One hang upon the other.

Mr. *Balfour.*

3788. If your circulation increased, eithe from the establishment of your branches i Cumberland, or from any other cause, you mus keep more gold than you would otherwise keep must you not?—We must go on increasing ou gold as our circulation increases.

3789. You said that you would not keep mor gold, did you not?—No, but I think that, as pru dent bankers, we should not keep much les gold.

3790. At present you say that you do not keep more gold than you would keep supposing tha the present law was not in existence?—Quite so

3791. But the present law being in existence if your circulation greatly increased, you would have to keep more gold, would you not?—Yes of necessity.

Mr. *William Shaw.*

3792. Would you prefer keeping Bank o England notes against your own issue?—I would be a convenience to us, because they ar more easily transmitted. As an instance of the operation of the law I may mention that within a month, since I was in this Committee room before we have been obliged to send down 100,000*l.* in sovereigns to Scotland at a considerable expense and at a certain amount of risk; last night we returned 50,000*l.* of that amount in the identica boxes in which they came; we never saw the gold; it goes back to the Bank of England with the seals unbroken, and we incur all the risk and expense of sending it backwards and forwards.

Chairman.

3793. Should you object to the withdrawal o the right of issue against gold, and to your being confined to your authorised issue as the English banks are?—Yes, I should object to that very much.

3794. Why?—It would hamper our operations at our branches most materially; I think that it is a great hardship to the English bankers that they have not the same privilege in that respect as we have.

3795. Then though it is no benefit to you, you would object to its being withdrawn?—Yes.

3796. You

Mr. *Orr Ewing.*

3796. You would object to be restricted to your authorised issue, and not to have the power of expanding it, and of having gold opposite the notes with a view to the interest of the public?—The question asked, as I understood it, by the Chairman, was whether we should have any objection to have our circulation controlled as it is in England, and I say, decidedly we should object.

3797. Because although it is not a profit to you, it is an advantage to the public?—It is a great advantage to us, and a convenience to the public, and without that we could not establish so many branches in Scotland.

3798. While you have that privilege, you have not the slightest objection that the English banks having a right of issue should also have the same privilege?—Not the slightest.

Mr. *Backhouse.*

3799. The power of issuing gold enables you to use your authorised issue up to its extreme limit, does it not?—Certainly, and beyond it.

3800. Whereas the English banks, as they may not exceed their average amount, are obliged always to keep within the amount?—I understand so, and it seems to me a very great hardship upon them.

3801. You keep, I presume, about double the amount of notes ready for circulation that you have in actual circulation?—Fully that.

3802. And the power of having those unissued notes, their not being taken into account until actually issued, enables you to keep your branches supplied with till-money without expense, does it not?—Certainly.

3803. Can you give us any idea of the expense of a small branch in Scotland?—I saw that that question was asked of a previous witness, and I have been turning it over in my mind since; I think I would put down about 300 *l.* as a minimum.

3804. Your English branches would be more expensive, would they not?—Yes, they will not be quite so cheap as that.

3805. Is that partly because you have to keep a certain amount of till-money?—Yes, and salaries in England are higher.

3806. Though you have to find gold and silver for wages, you have not as yet made any charge for that expense, have you?—We never contemplate making any charge.

3807. How many branches have you in Glasgow?—We have ten.

3808. Are there not more branches of banks in Glasgow than are required for the business of the place?—There are a great many more branches than I should like to see.

3809. I presume I may take it that you consider that Glasgow is over-banked?—Yes, I consider that it is very much over-banked.

3810. In your Scotch branches, I take it, that the amount of gold that you keep is very small?—It is very small, except at our principal branches. You will find a return of the amount actually in Scotland in the Papers of the Committee which sat upon the bank question in 1858.

3811. I think you said that your inducement to go to Cumberland has been your connection with the iron trade?—That was the first thing.

3812. And the fact of a good many Scotchmen having gone there?—Yes.

3813. And a good many Scotchmen having

Mr. *Backhouse*—continued.

gone there, you did not like that they should not have the benefits of Scotch banking?—If we saw it to be to our own interest, we thought we might indulge their prejudices.

3814. In fact, you think that Scotch banks have a vested interest in Scotchmen wherever they may be?—We are always very glad to see them.

Mr. *Sampson Lloyd.*

3815. I think, at the outset of your examination, you mentioned that there are five joint stock banks in Cumberland having the privilege of issue; did that include your own bank?—No; there are five English joint stock banks.

3816. And then a remark was made, or a question put to you, as to whether an English bank could not set up a branch in Scotland by law; in reply to which you said that you supposed it could; could an English bank setting up a branch in Scotland succeed, or would it be likely to succeed, without the privileges which you enjoy by law?—They would certainly come at a great disadvantage, but the disadvantage would not be greater, I conceive, than that which we are at in Cumberland.

3817. Supposing that a bank is obliged, for the purposes of its business, to keep 100,000 *l.* (or any other sum you like), in gold and silver coin, is it not a very great advantage if that bank is allowed to issue 100,000 *l.* of 1 *l.* or 5 *l.* notes against it, so that that bank can employ the 100,000 *l.* profitably in legitimate banking by lending it to the public?—Certainly; but they must take care that they still have a proper and a reasonable supply of gold against any emergency.

3818. Of course all prudent bankers issuing notes would keep some sufficient reserve of some kind of coin to pay those notes, but I presume that the amount of 1 *l.* notes which are presented for gold in Scotland is very small?—Very small.

3819. So that, practically, the reserve which you have to keep in order to pay your notes is comparatively limited, is it not?—What we are to keep as a minimum is strictly enjoined by law, and we find it more than ample. We are never asked for gold in Scotland.

3820. So that, in point of fact, your privilege of issue against your till-money is available to a very large proportion of the issue; supposing that a bank has 100,000 *l.* of till-money which it must keep, and supposing that 10 per cent. of that is deemed a prudent amount to keep in coin to pay the notes when they are presented over the counter, is it not a great privilege to be able to make notes for the 90,000 *l.* remaining and to employ it in banking as compared with the state of things where you cannot make a single note?—No doubt it is; I think that the English banks labour under a very great disvantage and very great hardship in that respect.

3821. And therefore the nominal equality of an English bank being permitted to set up a branch in Scotland, to a Scotch bank being admitted, according to the view of yourself and some others, to set up a branch in England, is really not an equality at all?—We have no right of issue coming to England.

3822. But you have a right to lend, in England, the bank capital which you raise by your privilege of issue in Scotland, have you not?—

Mr. *Readman.*

10 June 1875.

Mr. *Sampson Lloyd*—continued.

We may make a little more money by it in Scotland, but we have no right of issue in England.

3823. But if you can raise 100,000 *l.* in Scotland more than an English bank can raise on its till-money in England, you can lend that 100,000 *l.* in England, and so you will have an advantage to that extent over an English bank, which cannot lend its till-money at all, will you not?—Yes.

3824. Therefore, the privilege which an English bank enjoys by law of being able, if it is foolish enough to do so, to set up a branch in Scotland without those privileges which the Scotch banks have, is a totally distinct thing, and not nearly so valuable a thing as a Scotch bank possesses, is not that so?—They do not make so much money in England, perhaps, in that way; they make a little less profit in that way.

3825. The Chancellor of the Exchequer put to you a question about there being no profit upon the privilege of issue; is there not a very considerable profit upon the privilege of issue against the gold and silver coin held in hand?—I see no direct profit.

3826. Is there not a great advantage?—There is a great convenience, I admit.

3827. Is there not a great profit on the lending of the 90,000 *l.*, in the case I put, which otherwise you would not have in your possession to lend at all?—Supposing that our authorised circulation were 200,000 *l.*, and that our actual circulation were 300,000 *l.*, it would be just as cheap for us to lend out the 100,000 *l.* in sovereigns as their equivalent in paper.

3828. But if you were obliged to keep the 100,000 *l.* in sovereigns for the purposes of your till, you could not lend them at all?—But my object was to show that there was no direct profit in the excess of circulation.

3829. I still must ask you the question whether, there being two banks, each having 100,000 *l.*, which it is deemed prudent for them to keep as till-money, one of them being allowed to make 90,000 *l.* of notes on the security of the 100,000 *l.*, and to lend it in its business, while the other cannot touch a shilling of it, but is obliged to let it lie dormant in the tills, the bank which has the privilege of issuing notes is not much better off than the one which cannot issue notes?—I say that we have a much greater privilege in Scotland than you have in England.

3830. Is it not a profit?—It is a convenience, decidedly, but I cannot admit that it is a profit; because I maintain that it would be just as well and as profitable to us to lend out the 100,000 sovereigns as what it represents in paper.

3831. But if you have the 100,000 sovereigns, the hypothesis supposes that you are obliged to keep them in the till; you could not lend them?—But I am assuming that we should keep a reserve otherwise.

3832. I presume you are obliged to keep a reserve of till-money in some form?—Yes.

3833. And in England that something must be either gold or silver coin, must it not?—Yes, that is another disadvantage in England.

3834. So that the English banks cannot go to Scotland with the absence of the privilege which they enjoy in England, and compete with the Scotch banks on the same terms, in the aggregate, as the Scotch banks could do coming to England?—I cannot quite admit that, because I maintain that the Scotch banks coming to Cumberland, as we have done, are in the same position as t Cumberland banks would be in going to Sco land. In neither case do we avail ourselves our issues.

3835. So far as the particular localities a concerned, it may be so; but is it not a very di ferent thing to have a large reserve of loanab capital, raised by note issue in the one case, fro having no reserve of loanable capital in the ca of a bank of non-issue, or a smaller reserve loanable capital in the case of a bank with on 5 *l.*-note issues?—It is a proof that the reserv are not ample, I think.

3836. You were asked whether the charges English banks were dearer than those of Scot banks, and I think you said that you were n prepared to state what the charges of the Englis banks were?—The English banks can state th better than I can do.

3837. Assuming that the charges of the En lish banks, or of any other banks, are very m terially dearer, do you not think that self-intere would make the business go away from th English banks?—The customer would undoub edly go to the cheapest market.

3838. Does not the fact that the English bank are still retaining business show, *primâ faci* that the charges cannot be very seriously higher —We have put in our scale, and if the Englis banks will do the same we should be able t examine them.

3839. A comparison has been sought to b drawn, in some of the questions put to yo between the fact of the large number of wha are called bankers who have failed in England and the fact that none have failed in Scotland i the same time; is it not the case that amongs the failures of bankers recorded in the "Lon don Gazette" during the present century, great many who are called English bankers wer simply shareholders in joint stock banks wh failed in their private capacity, but who wer called bankers?—Not in the table which I hav before me; those were all banks of issue.

3840. At all events, were not many firm which are there recorded as having failed, ver weak indeed in character, consisting even of on partner only, or at most of two or three, an possessing but little capital?—That may be so I merely take the figures as I find them in th "Banker's Almanack."

3841. Does not the comparison more strictl show the advantage of having banks wit sufficient capital and on a broad enough basis rather than the disadvantage of English banks properly constituted as regards their charges o their system of doing the business?—Th stronger the bank, I think, the better for th public at large, whether Scotch or English.

Mr. *Orr Ewing.*

3842. I suppose the real difficulty of Englis banks in establishing themselves in Scotland arises from the confidence which the public o Scotland have in the banks which are already i existence there, and from their unwillingness t open accounts with a stranger?—We have only had experience of two English banks coming into Scotland in my recollection.

3843. In 1863, I think, two such banks were established?—Yes, but neither of them was very strong, and both of them succumbed.

3844. The public had not confidence in them —They

Mr. *Orr Ewing*—continued.

—They did not succeed from some cause or other.

3845. And the public have perfect confidence in the way in which the banks are managed in Scotland?—I think there is no doubt about that.

Sir *John Lubbock.*

3846. May I ask whether you would have any objection to state what the actual expenses upon the working of the Clydesdale Bank are?—I could not do that off-hand.

3847. Would you put it in?—If the Committee desire it, it can be put in. I have no objection whatever to do it, but I think we should get it all round.

Mr. *Orr Ewing.*

3848. I understand your answer to amount to this: that provided the banks of issue in England give in a similar return of their expenses, you have no objection to do it?—I have to apologise to the Committee for, I think, a slight misapprehension on my part. When the question was first asked as to our expenses, I stated that I thought they were about a guinea. I spoke rather off-hand, and was not quite sure of it; I thought the question tended to establish the accuracy of the guinea, whether it was 1 *l.* 1 *s.* or 1 *l.* 1 *s.* 2 *d.* or 1 *l.* – *s.* 10 *d.*, and not to give a detailed account of our expenses.

3849. But you have no objection to give the information on the understanding that the English banks do the same?—Certainly not; and the Scotch banks too.

Mr. *Campbell-Bannerman.*

3850. Do you know whether the other Scotch banks would do it?—I cannot say; I have had no communication with them.

Sir *John Lubbock.*

3851. Could you state to the Committee what amount of notes you habitually find it desirable to keep in your branches?—I would rather make further inquiry about that; I would say off-hand, that we should keep about one-half more than the issue, but I am not able to answer it definitely.

3852. Will you put in the average amount?—Yes; I understand the question to be the average amount of notes that we hold in our different branches in anticipation of the wants of our customers.

3853. Exactly. I think I understood you to say that, in your opinion, the right of circulation which the Scotch banks have, is a very great advantage?—A very great advantage.

3854. And that, in fact, without it, you would not be able to open so many branches as you have done?—And especially the 1 *l.* notes.

3855. And from the mode of conducting the business in Scotland, you find it necessary to have a large number of branches, do you not?—Our object is to get money deposited with us that we may utilize it at the head office, and without branches we could not get it.

3856. The Scotch banks now agree upon a general scale of charges, do they not?—They have done so for nearly 20 years.

3857. And no doubt you would find it more difficult to agree upon a scale of charges if there were a great many banks, than you now find it when there are only eleven?—No; I do not think that we should.

Sir *John Lubbock*—continued.

3858. Do you think it would be as easy for them to agree if there were many more banks?—It would not be so easy for them to agree, but it would be agreed upon.

3859. Your charge for making the payment of cheques drawn in London upon yourselves is 2 *s.* per cent., I think, up to 600 *l.*, and 1 *s.* per cent. beyond 600 *l.*?—Yes.

3860. Supposing that one of your branches has to collect a cheque drawn upon any London bankers, say, for instance, Messrs. Barclay & Company of London, they pay you the sum in full, do they not?—We should send that to our agents here, and they would collect it free.

3861. You have also stated to the Committee, I think, that your right of issuing against gold is a great advantage, which you would be very sorry to relinquish?—Yes.

3862. And that you thought it would be a great advantage to the English banks of issue if they had the same privilege?—Yes, I have no doubt of it.

3863. You said, did you not, that you would have no objection to giving them the same privilege?—Not the slightest.

3864. I suppose that if a new privilege was given to the English issuing banks, you would consider it fair to give a corresponding privilege to the English non-issuing banks?—That is a question for Parliament, upon which I cannot presume to give an opinion.

3865. But if you gave one class of banks a new privilege of considerable value it would place the other class of banks at a considerable disadvantage, would it not, unless you gave it to them also?—Yes; but they established their business with the knowledge that they had no issue. However, it is a question entirely for Parliament.

3866. In fact, you are speaking as a banker, and not expressing your opinion from the point of view of a statesman, upon that point?—I do not profess to be a statesman.

3867. I did not wish to say anything discourteous, but you were looking at it from a banking point of view rather than from a public point of view, were you not?—It opens up a very wide question which I do not wish to enter upon.

3868. You do not wish to commit yourself to the wide question, but you were speaking of the practical advantages to the banks?—I was merely speaking of the advantage with relation to banking.

3869. I understood you to say that one reason for your opening your branches in Cumberland was, that transactions between the south of Scotland and Cumberland are very numerous?—There is great intimacy between the shores of Cumberland and Scotland.

3870. I think, in answer to the honourable Member for Dumbarton, you stated that the lapse of circulation by failures in England had been 565,000 *l.*?—Rather more, adding the last failure; very nearly, I should say, 600,000 *l.*

3871. And that no such unfortunate state of things had existed in Scotland?—The only lapse of circulation there was that of the Western Bank.

3872. The Western Bank also, I think, re-

Mr. *Readman.*

10 June 1875.

Sir *John Lubbock*—continued.

presented the Ayrshire Bank, which had a circulation of 53,000 *l.*, the Western Bank having a circulation of 284,000 *l.*—Yes; making a total of 337,938 *l.*

3873. As the population of England is six and a half times that of Scotland, if the lapsed circulation in England had been equal, in proportion to the population, to the lapsed circulation in Scotland, the lapsed circulation in England would have been 2,200,000 *l.*, would it not?—Yes, taking your figures as correct.

3874. Therefore, if the lapsed circulation in England had been as large in amount in proportion to the population, as the lapsed circulation in Scotland has been, instead of being 565,000 *l.*, it would really have been 1,500,000 *l.* more, would it not?—I think it is large enough as it is.

3875. Therefore, in proportion to population, the lapsed circulation in England has been much smaller than that in Scotland, has it not?—I am not able to follow your figures, but I have no doubt that you are correct in what you state.

Mr. *Backhouse.*

3876. Do you pay license duty when you open a branch in England?—No.

3877. Do you issue any unstamped drafts?—No.

3878. You say that the Cumberland banks could open in Scotland as easily as your could come into Cumberland?—I believe so.

3879. What notes do you circulate in England?—Bank of England notes.

3880. They are a legal tender, are they not?—They are a legal tender in England.

3881. And they are accepted, of course, as the circulating medium of the country?—They are the only legal tender in England, except gold.

3882. If a Cumberland bank went into Scotland what circulating medium would they use?—Very likely the notes of the Scotch banks.

3883. Would not that place them at a great disadvantage there?—We should not like them to take our notes; but it would place them at no greater disadvantage, if they issued Scotch notes, than if they issued Bank of England notes.

3884. But they would be at a disadvantage, would they not, as compared with Scotch banks issuing their own notes in Scotland?—Yes, undoubtedly.

3885. Would not a Cumberland bank opening in Scotland be at a much greater disadvantage than you were at in coming to England and opening in Cumberland, inasmuch as you have Bank of England notes which you can use in your Cumberland branches, and which are a legal tender, whereas a Cumberland bank going to Scotland would have to use Scotch bank notes, which are not a legal tender?—No, I cannot see that; I think they are the same.

Mr. *Backhouse*—continued.

3886. But no Scotch note is a legal tender, is it?—No Scotch note is a legal tender.

3887. And therefore no man can compel a person to take a Scotch note?—No.

3888. But you bank in England, and you can compel your customers to take Bank of England notes?—Yes.

3889. Do you make no difference in the discounts on bills when they are very first class bills, and when they are what are ordinarily called second class bills?—No, we hold that a bill if it is not good ought not to be taken at any rice.

3890. There is a difference in the character even of bills that are perfectly safe in themselves, is there not?—I have a strong opinion, as a banker, that no half per cent. difference of rate makes a bad bill a good one.

3891. Are there not bills which would bear a different rate in London, but which would be equally safe?—We make a distinction with regard to those bills; we take bankers' acceptances at a lower rate than we take trade bills; but that is done to all our customers alike. We make that distinction, and publish it in the scale.

Mr. *Anderson.*

3892. You gave evidence as to the Scotch notes crossing the Border into England; do English notes cross the Border into Scotland?—Local notes do, to a small extent.

3893. To about as great an extent as the others?—I would say not.

3894. Is that because they have not got 1 *l.* notes in England?—That is one reason, but it is chiefly because the English country bank notes are more local than ours. Ours go over the whole of Scotland.

3895. But they are equally taken by your branches on the other side of the Border?—Yes.

3896. Have you any evidence as to whether the public consider your opening branches in England a public convenience?—We flatter ourselves that they think so; that is our opinion.

3897. Have you given any figures to show the rates of interest allowed and charged by you as compared with the Cumberland banks at given dates?—No; I mentioned in the early part of my examination that I could not speak of the English charges, but the gentlemen who follow me will, I believe, be able to give evidence upon that point.

3898. Do you carry on your banking in England upon the English system, or upon the Scotch system?—Entirely upon the Scotch system.

3899. Do you allow interest upon current accounts the same as in Scotland?—Yes, we allow interest upon current accounts.

3900. Is there an association of bankers in Cumberland?—I am not aware.

Mr. WILLIAM BONNALLIE GORDON, called in; and Examined.

Mr. *Gordon.*

Chairman.

3901. ARE you the Manager of the Cumberland Union Bank?—I am.

3902. Where are the head quarters of that bank?—At Carlisle.

3903. Has the bank branches?—It has 17 branches.

3904. Are those branches all in the county of

Chairman—continued.

Cumberland?—Not all of them; there is one in Westmoreland and one at Barrow.

3905. Your attention has, of course, been directed to the introduction of the branch of the Clydesdale Bank and of the Scotch banking system into Carlisle?—It has.

3906. Can you state generally in what particulars

Chairman —continued.

ticulars the Scotch system of banking, so far as you have become cognizant of it, differs from the system that is pursued by the English banks in your neighbourhood?—It differs in no way whatever, save and except as to the unlimited issue of notes which the Scotch banks possess.

3907. Is there any difference in the accommodation given to the customers with respect to their banking accounts?—I believe not.

3908. Do the Cumberland bankers give to small tradesmen the advantage of banking accounts?—They do.

3909. Are current accounts kept with credit balances?—Yes.

3910. Is interest allowed on them?—Yes, interest is allowed on all credit balances.

3911. Are commissions charged?—No commissions are charged upon credit balances.

3912. Are you acquainted with the system of cash credits in Scotland?—I am.

3913. Can you say whether your system is similar to, or differs from, the Scotch system?—It is exactly similar. I have in my hand a form of cash credit bond, which we have had in use for the last 20 years, for small cash credits on personal security.

3914. What is, as a rule, the interest allowed by the Cumberland banks upon current accounts?—The present rate is 2 per cent., and on deposits on receipt it is 2½ per cent.

3915. Does that vary according to the Bank of England rate?—According to the rise and fall of the Bank of England rate.

3916. And the current account is one-half per cent. below the deposit rate?—Generally; but there is no fast and hard line, as each bank uses its own discretion. There is a general understanding amongst the bankers, but no binding arrangement.

3917. Supposing that you receive Scotch notes paid in to you, do you cash those notes?—We take them from our customers, and place them to their credit.

3918. Do you make any charge for them?—Upon overdrawn accounts, where there is a commission charged already, there is no extra charge, but they go to credit at once. In other cases there is a small charge made, because we have to keep them probably for a month until there is a large parcel made up, and they are sent down once a month to Scotland.

3919. What charge do you make?—Three shillings and sixpence per cent.

3920. That is the same as the rule of the Scotch banks, is it not?—I believe it is.

3921. Can you give the Committee any particulars as to the sums deposited with the Cumberland banks on receipts and on current accounts?—I have before me a statement of the sums held by the five joint-stock banks in Cumberland. There is one private bank in Carlisle which is not included here. They have 1,822 accounts where the balances do not exceed 10*l.*, amounting to 11,657*l.* They have 1,953 accounts where the balances do not exceed 20*l.*, amounting to 33,522*l.* They have 3,890 accounts where the balances do not exceed 50*l.*, the amount being 145,987*l.* They have 3,701 accounts where the balances do not exceed 100*l.*, amounting to 299,952*l.* Exceeding 100*l.*, they have 6,914 accounts, the amount of which is 3,428,813*l.*, the total being 18,280 accounts, amounting to 3,919,931*l.*

Chairman—continued.

Mr. *Campbell-Bannerman.*

3922. Those figures include balances of all sorts, and not merely deposit receipts?—Both kinds.

Chairman.

3923. Can you state the capital and the reserves of the Cumberland banks?—The capital of the Cumberland Union Bank is 225,000*l.*, and its reserve 83,000*l.* The capital of the Carlisle and Cumberland Bank is 75,000*l.*, and its reserve 100,000*l.* The capital of the Carlisle City and District Bank is 80,000*l.*, and its reserve 85,000*l.* The capital of the Whitehaven Joint Stock Bank is 45,000*l.*, and its reserve 36,000*l.* The capital of the Bank of Whitehaven is 98,000*l.* and its reserve 90,000*l.*; that makes a total of capital of 523,000*l.*, and a total of reserves of 394,000*l.*

3924. Can you state the amount of the note issues of the banks?—The aggregate amount of all is 145,574*l.*

3925. Is that their authorised circulation?—That is their authorised circulation.

3926. Can you state what the average actual circulation is, or what it was at a particular time?—I have not that with me, but it is always considerably within the authorised circulation.

3927. The authorised issue of your own bank is, I think, 35,395*l.*?—It is.

3928. Can you state what is the actual amount of your note issue?—By the last annual statement which we published, the amount of notes in the hands of the public was 34,580*l.*

3929. Do you consider that if you were allowed to issue against gold you would always issue the full amount of your authorised issue?—Certainly, and considerably beyond it.

3930. Is the privilege of issuing against gold a privilege that you desire?—Certainly.

3931. Do you think that the Cumberland banks generally would be willing to give security for their issues?—Quite willing; I am authorised on behalf of the Cumberland banks to say so.

Mr. *Sampson Lloyd.*

3932. That is, of course, presuming that other banks were compelled to do the same?—Yes.

Chairman.

3933. Can you give the Committee any particulars as to the number of Scotch notes that have been sent down through your bank of late years?—For many years past we have sent down about 2,500*l.* a month, or from that to 3,000*l.*

Mr. *Campbell-Bannerman.*

3934. Are you now speaking of your own bank alone?—Of our own bank. For the four years previous to 1874, when the Clydesdale Bank established branches in Cumberland, the average amount was 27,660*l.* per annum; for the year 1874 the amount was 31,215*l.*; and for this year, so far as it has gone, for the five months the amount has been 20,234*l.*, being at the rate of 48,550*l.* per annum.

Chairman.

3935. I suppose that what is done by the other Cumberland banks in the same way is somewhat

Mr. *Gordon.*

10 June 1875.

Chairman—continued.

in the same proportion as your own?—It is. I had the figures, but I have mislaid them; but the proportions were similar.

3936. So that, since the establishment of the Clydesdale Bank in Cumberland, some 40 per cent. has probably been added to the amount of Scotch notes sent down?—Yes; that is in addition to the sums which we pay away across our own counter to parties going to Scotland, who say, "If you have any Scotch notes, we will take them with us;" and it is also in addition to the sums which the Clydesdale Bank now take up themselves in Cumberland.

3937. Do you attribute this increase in the circulation of Scotch notes to the establishment of the Clydesdale Bank in Cumberland?—There is no doubt whatever that that is the case.

3938. In what way should the establishment of the branch bank of the Clydesdale Bank in Cumberland affect the quantity of notes sent there?—Commercial travellers going the round of the towns of Scotland, or cattle dealers attending fairs and markets, instead of going to the banks to change the Scotch money, obtained by them, into English money, which would cost them something, they bring it into England, where they know there is a Scotch bank that will take it.

3939. But how does that lead to the Scotch notes being brought to your bank?—Many of the cattle dealers having accounts with us bring them and pay them in to their credit.

3940. Do you make any charge upon them?—We do, where they have credit balances.

3941. But still I do not see why those persons who are your customers should bring Scotch notes more freely into Carlisle on account of there being a branch of the Clydesdale Bank there?—They know that there is a bank in Carlisle which will take the Scotch notes, and so they readily bring them.

3942. But did they not always know that they would be able to get the Scotch notes taken by English banks?—Not so freely, because we have heard that the Clydesdale Bank in Carlisle will take them without charge.

3943. Do you consider that the circulation of Scotch notes is increasing in Cumberland?—I believe it to be so.

3944. When you say that the circulation of Scotch notes is increasing, do you mean that they pass from hand to hand?—They are passing more freely from hand to hand now than formerly.

3945. Have you reason to believe that tradesmen, for instance, take them in payment?—Yes, they do so readily.

3946. And on receiving them do they give them out again to their customers, or do they always bring them to the banks?—They do both.

3947. So that a Scotch note, having been brought into Carlisle, might remain in circulation for some time?—It might.

3948. Do you see any objection to the issue of 1 *l.* notes?—I should not myself object to be allowed to issue them, but at the same time I should be sorry to see the issue of them in England.

3949. Why?—I expect that if we were allowed to issue 1 *l.* notes in Cumberland, the same privilege would be accorded to every person throughout England calling himself a banker.

Chairman—continued.

3950. Do you mean that in that case you would lose a privilege?—No, it is not on that account; but, in times of panic, I believe that it would intensify the panic very much if there were 1 *l.* notes in the hands of the poorer and ignorant classes, because they would rush upon the banks without discrimination in order to get them cashed.

Mr. *Leveson Gower.*

3951. Do you think that the panic would be intensified if there was gold held against those notes?—That might quiet the minds of the people, but the Chancellor of the Exchequer did not say anything about gold being held against them.

Chairman.

3952. Do you know any system of banking in the United Kingdom where gold is held against the notes issued?—There is none, except that gold is held in the Bank of England beyond the issue of 14,000,000 *l.* or 15,000,000 *l.*; and the Scotch and Irish banks, when they issue beyond their fixed limits, have to hold gold against their excess of issue.

3953. Do you consider that the gold which is held in the Scotch banks is held against their excess of issues?—They are required to hold it, but it is not ear-marked against their issues; it is held against their general liabilities.

3954. Then, in point of fact, that gold is not so complete a security to the note as is implied at first sight by the expression, "Notes against which gold is held"?—It is not; as the case of the Western Bank showed, where there was no gold at the end of the day to meet the notes which were out.

3955. Have any statistics that you could give the Committee as to the amount of banking accommodation which is afforded to the people of Cumberland, the extent to which they use it, and the amount of deposits per head of the population?—Such statistics could be prepared, but I have not got them with me now. The total deposits of the county of Cumberland are close upon 4,000,000 *l.*, and the popoulation is 220,000.

3956. Do you consider that there is sufficient banking in Cumberland for the demands of the population?—I believe that there is quite sufficient.

3957. With regard to the opening of branches, do you consider that the Scotch banks have any advantage over you?—They have a great advantage.

3958. Will you mention in what respect they have an advantage?—Inasmuch as they can open branches at very little cost; they require no cash to stock the till; they stock the till simply with their own notes, and in that way they are enabled to go into small towns and villages, and even hamlets, with branches.

3959. But they cannot stock the till of an English branch with their own notes?—They cannot; but having gone into these small towns and villages, they have released the money which had up to their going there been locked up in desks and cupboards, and it comes into the banks as deposits; and in that way they have increased the amount of deposits to such an extent that now, we understand, they cannot lend it out in their own country, and they come to England with

Chairman—continued.

with it; it is entirely because of their power of unlimited issue that they can open these small branches; and because they can open these small branches they get this enormous amount of deposit money.

3960. But they cannot open any branch in England without having coin or Bank of England notes, can they?—They cannot do so in England.

3961. Therefore, when it comes to a question of opening a branch in a village in Cumberland where there has been no bank before, has a Scotch bank an advantage over an English bank; would the Clydesdale Bank, for instance, have any advantage over the Cumberland Union Bank in opening a branch in a Cumberland village?—I have shown you that the Scotch bank has obtained the money from small towns and villages, and with that money it comes and stocks the tills of its English branches.

3962. But without regard to where it obtained the money from, it can only open its branch using the money that it has, in the same way that you would have to use your money in England, however it had been obtained?—Yes.

Mr. *Goschen.*

3963. Are there any other advantages beyond the one which you have mentioned, which a Scotch bank would have in establishing itself in Cumberland?—It has no other advantages that I am aware of, except its power of unlimited issue.

3964. Would its connection with the other Scotch banks, in the way of the general arrangement of tariffs, and so on, give it an advantage over an English bank, or would it not?—I think not.

3965. Would a Scotch bank coming to Cumberland be able to cash its securities on Scotland, or notes on Scotland, more cheaply or more expeditiously than you would?—I do not think so. The Scotch banks act as one amongst themselves.

3966. I wish to be quite clear upon this point: supposing that one of your customers were to bring you a bill of 5,000 *l.* drawn upon Glasgow, would you be able to put the money to his credit as cheaply, as expeditiously, as if he took it to a branch of a Scotch bank in Carlisle?—Quite as much so; apart, of course, from the question of commission.

3967. Would the other banks in Carlisle be as favourably situated as your own bank in that respect?—I believe so.

3968. Will the Scotch banks in Scotland act as cheaply for the English banks as they will for other Scotch banks, or do they charge higher commissions to the English banks than they do to those banks which belong to their own association?—A Scotch bank in Carlisle which discounted a Bill of the description which you mention would send it down to its own head office, and there would be no charge as between head office and branch.

3969. Would there be a charge in your case?—No.

3970. How would you manage to cash it?—We have a mutual arrangement (I speak for our own bank) with our correspondents in Scotland, they transacting our business in Scotland, and we transacting theirs in Cumberland and Westmoreland.

3971. Does that extend to other English banks?—I cannot answer that question.

Mr. *Goschen*—continued.

3972. You do not know whether your neighbours are in the same position as yourselves in that respect?—I do not.

3973. Do you think they are?—I scarcely think that they are; but I could not speak positively upon that point.

3974. Have you an impression that you have a preference in that way?—Yes.

3975. So that though it does not apply to your case, yet in the case of other banks there may be a charge imposed upon the customers of an English bank which may not be imposed upon those who deal with the Scotch banks?—I do not think that a Scotch bank in Carlisle can discount a bill upon Glasgow on more reasonable terms than a Cumberland bank in Carlisle can do it.

3976. Then what did you mean by saying that in your own case there was an arrangement for mutual advantage which did not extend to other banks?—I only express a suspicion that it may not extend to other banks; but I cannot speak positively about it. It is as broad as it is long; if there is a charge made on the one side, there is a charge made upon the other

3977. But if it is as broad as it is long, that would mean that there are as many bills drawn in Glasgow upon Carlisle as there are drawn in Carlisle upon Glasgow; is that likely?—Yes; there is a great deal of business transacted between the two towns which may not be in the shape of bills discounted.

3978. But Carlisle being a smaller centre of operations than Glasgow, do you think, for instance, that it would be likely that if an arrangement were made between a Glasgow bank and a Carlisle bank, that they would do the business gratis on both sides, the Carlisle banker would have an equal advantage with the Glasgow banker?—Yes.

3979. Do you represent any other Cumberland bankers, and, if so, have you conferred with them at all upon this question?—I have, so that I am enabled to speak as to reserves, and capital, and circulation, and deposits, and credit balances, and the other matters which I have named.

3980. You are able to speak as to their general view?—Yes.

3981. We may take it, then, that your view is that the sole advantage derived by the Scotchmen as your competitors is, that they are able to raise the money which they bring to their branches in a cheaper manner than you are?—That is the main advantage.

3982. That their system of deposits enables them to bring it more cheaply to their tills?—Their system of circulation, not their deposits. We have exactly the same system of deposits in Cumberland, and have had since the bank was established.

3983. Do you think that you drain Cumberland of its deposits as effectually as the Scotchmen drain the Scotch counties of their deposits?—No.

3984. Therefore you have not the same results in deposits, have you?—No; because we cannot go into small villages and open branches there.

3985. Do you consider, then, that it is a grievance that the Scotch are able to come to Carlisle, if they are able to raise the money more cheaply than you are?—I do; because the Legislature has dealt out one measure to Scotch bankers and another

Mr. *Gordon.*

10 June 1875.

Mr. *Goschen*—continued.

another measure to English bankers. The English bankers have their hands tied to a certain extent; the Scotch banks are perfectly free to issue as many notes as they like, and yet the Legislature is asked to allow them to come and compete with English banks.

3986. If some facilities were given to you, would you be able to compete with them more satisfactorily?—No doubt.

3987. Supposing that the same facilities as they possess were given to you, would you then be able to secure deposits in the same way as they do?—No doubt.

3988. Is it your view that it would be more advantageous to you to acquire increased facilities for yourselves, or to prevent the Scotch from bringing to England their money, which is raised in a more satisfactory manner to themselves?—I have ceased to consider the first view, because I think it is improbable that Parliament will confer such facilities upon us.

3989. But you have not ceased to think of the second view?—No.

Mr. *Orr Ewing.*

3990. Supposing that Parliament did entertain that view, should you prefer to restrict the Scotch banks, or to open up the English banks?—I should prefer all to be alike; for the Legislature to deal out an equal measure to us all.

3991. You would prefer expansion and not restriction?—Yes.

Mr. *Goschen.*

3992. But I thought you stated before that you considered that expansion would be somewhat dangerous?—I did say so with reference to the 1 *l.* notes; but the 1 *l.* notes did not occur to me at this moment.

3993. But you do not think that expansion would be dangerous as regards the main point?—No.

3994. Is not the essence of the Scotch system to a great extent the 1 *l.* note?—It is.

3995. Supposing that the power of issuing 1 *l.* notes were extended to you, repeating the question of the honourable Member for Dumbarton, would you yourself prefer, and would you think it best for the country, to have the expansion in both countries, or not?—I should prefer it to be extended to us; but I cannot say that I am capable of giving an opinion as to whether it would be for the benefit of the country or not.

3996. But just now you did give an opinion upon that point, did you not?—I gave it as my own individual opinion that it would intensify a panic if the circulation of 20*s.* notes were allowed throughout England.

Mr. *Orr Ewing.*

3997. Supposing that 1 *l.* notes were issued, based upon gold, would there be any chance of any panic?—Not so much.

3998. You are aware that the over-issues of the Scotch banks are always upon gold?—But that has not prevented a panic.

Mr. *Goschen.*

3999. I understood you to say that the circulation of Scotch 1 *l.* notes is increasing in Cumberland?—The circulation of Scotch notes generally is increasing.

4000. But that gives no advantage, I presume, to the Scotch banks?—I think it does.

4001. In what way?—Every 1 *l.* note that a Scotch bank issues is a profit to it.

4002. But in what way does the increase of the circulation of Scotch notes in Cumberland give an advantage to the Scotch banks?—Wherever they circulate, no matter where, they must be a profit to the banker.

4003. Is not the profit so small that it gives very little advantage to the Scotch banks in Cumberland?—If there is a circulation of 10,000 *l.* or 15,000 *l.* continually going on in Cumberland, that is an advantage to them.

4004. Do you consider that the circulation is worth anything as an advertisement?—It is.

4005. Supposing that the Scotch banks had their privilege of issue in Scotland taken from them, but that they were to receive a pecuniary payment, so as precisely to indemnify them for the loss of the advantages which they have in not being obliged to hold coin against the bank notes in their tills or at their various branches, would there still be the same grievance on your part, that they would be in a better position as regards their being able to bring money more economically to England, and do you consider that they would still be able to undersell you?—If they had no power of issue, certainly they would not be able to undersell us.

4006. But if they received as an indemnity the precise value of the privilege which they now possess, why would they not be still equally able to undersell you, even if that privilege were taken away?—Very much would depend upon what that sum was; whether it was the profit that they make now, spread over a series of years, or whether it was a sum paid down, which might not be commensurate with the full value of their present privilege.

4007. Of course the assumption is, that the precise value is given; I want to test by that the objection that you have to their coming into Cumberland; is your objection only that they have a profit which you have not, and that therefore they can work more cheaply than you can?—My objection is solely that they come to Cumberland with money which they have raised by a process which Parliament has allowed to them but denied to us.

4008. If they received an indemnity would that put them in the same position as yourselves, or would they still have that advantage over you?—Yes, if they had an indemnity that would be an advantage over us.

4009. Could you cross the Border into Scotland, and carry the war into the Scotch camp, if you wished?—We have had so many lawyers' opinions upon that point that I would rather decline giving an opinion upon it myself.

4010. Do you mean that you cannot legally bank in Scotland?—I do not think so.

4011. Have you ever taken legal opinions upon that point?—No.

4012. Then to what lawyers' opinions do you allude?—We have heard it stated several times in this room.

4013. I am not speaking of the Scotch banks coming to England, but of the English banks going to Scotland; do you think that you could

go

Mr. *Goschen*—continued.

go to Scotland and carry on banking there if you wished?—I would rather not give an opinion upon that point. We ourselves are confined to England by our constitution.

4014. You would prefer not giving evidence upon the point as to whether, if you went into Scotland, you would be able to compete with the Scotch banks?—If we went into Scotland we could not compete with the Scotch banks, unless we were allowed to issue notes in Scotland.

4015. Will you explain why not?—Because we should have to take English money with us, and we should have to circulate Bank of England notes and keep our tills stocked with Bank of England notes.

4016. And you might, even then, find that the people in Scotland would prefer the 1 *l.* notes?—Just so, and no doubt they would.

4017. So that the action which you would have to take would be, would it not, that you would have to supply yourselves with 1 *l.* notes from one of your competitors?—Just so.

4018. Whereas a Scotch bank coming to Cumberland has not to supply itself with your notes, but takes two parts, we may say, out of three parts of the currency of the country, because the currency of Cumberland would be composed of your notes, Bank of England notes, and coin, would it not?—Yes.

4019. And of those the coin and the Bank of England notes would be equally available to the Scotch as to you?—Yes.

4020. Whereas in Scotland the main circulation consists of Scotch notes, does it not?—It is altogether Scotch notes.

4021. And coin and Bank of England notes are less popular in Scotland than the Scotch notes?—They are hardly ever seen.

4022. In Cumberland can it be said that they are as fond of Bank of England notes and of sovereigns as they are of the notes of the local banks?—In the towns they make no distinction, but in the remote districts in the country they distinctly prefer the local bank notes to Bank of England notes.

4023. Is that because they have more facilities for cashing them?—Yes, they have more facilities for cashing them, and they know them better.

4024. In fact, the credit of a Cumberland bank is better in Cumberland than the credit of the Bank of England?—Yes, because the Bank of England is not known amongst the country people.

4025. In the country districts of Cumberland do the notes of Scotch banks circulate freely?—I think not.

4026. It is merely in the towns?—Merely in the towns.

Mr. *Stephen Cave.*

4027. I do not quite understand the process of the Scotch banks draining the country villages in Scotland of money and bringing it into Cumberland; will you explain how that is?—It has been stated in evidence before this Committee by one of the witnesses, I think Mr. Davidson, of the Bank of Scotland, that the deposits of the Scotch banks have increased something like 22,000,000 *l*, within the last 10 years; that has been done chiefly by the establishment of small branches.

4028. What was the money that was kept in those villages in which the small branches were established, before the branches went there?—It was locked up; people had not the advantage of a bank to go to, and consequently they kept the money in their desks and cupboards.

Mr. *Stephen Cave*—continued.

4029. But in what form was the money?—In notes.

4030. Then the banks, when they got those hoards into their own possession, could only get the notes that were hoarded?—Just so; but one bank gets the notes of another bank. There are 11 Scotch banks, and one of them goes into a small town and he gets not only the notes of his own bank but the notes of the other 10 banks; and they have to pay that amount over in London, and so he gets the money.

4031. But the notes of all the 10 banks are local notes which circulate only in Scotland, are they not?—Yes; but they are paid over to the banker who gets the deposit, and he obtains cash for them in London in the course of the exchanges; and they go to add to his deposit money, and his available resources are increased thereby.

4032. Do you mean that the Scotch notes taken by the branches from these small villages are sent to London?—No; the Scotch banks exchange with each other twice or three times a week.

4033. But I want to know how they turn the Scotch notes into English gold?—They exchange with each other. The Scotch banker who has opened a branch in a village obtains, say, 1,000 *l.* of Scotch notes; there may be only 100 *l.* of them his own, and he has 900 *l.* to get in money from the other banks, and they pay it over to him in London.

4034. I suppose that if you did not exchange the Scotch notes for your customers in Cumberland you would lose the customers, there being a Scotch bank there?—Very likely.

4035. Before the Scotch bank came to Cumberland did you exchange the notes in the same way?—We always took them from our customers.

4036. Then it has made no difference?—Except that the amount increases now.

4037. You mentioned current accounts, but you did not tell us how you struck the balance with reference to interest upon current account; is it on the minimum at the end of a month?—It is the daily balance.

Sir *John Lubbock.*

4038. You said, I think, that the Scotch notes at present circulate principally in the towns; when the Clydesdale bank has been longer in Cumberland, do you think that the notes will have a more general circulation throughout the country?—No doubt.

4039. I understood you to say that you are not in a position to speak with reference to the charges made by the Scotch banks to the other Cumberland banks; but you spoke for your own bank only upon that point?—Yes.

4040. The Clydesdale bank has branches in many parts of Scotland, and I presume you consider that that gives them a great facility in making payments?—No doubt it does.

4041. And that their power to open these branches is to a considerable extent dependent upon their right to issue?—Yes.

4042. And that you, not having that right, could

Mr. *Gordon.*

10 June 1875.

Sir *John Lubbock*—continued.

could not practically, or at any rate profitably to yourselves, open branches in Scotland, and therefore you do not enjoy the same facilities as they do?—Quite so.

4043. That I think is an additional reason to that which you stated in answer to the Member for the City of London, just now?—That is so.

4044. Your argument I take to be this: That the gold in Scotland is practically held against the deposits, and is no more than the Scotch banks would in prudence be compelled to keep, having regard to their very large liabilities, even if they had no right of circulation?—Yes.

4045. And therefore that practically any increase of circulation is an increase of profit to the Scotch banks?—No doubt.

4046. And that it is an increase of profit, whether that increase of circulation is in Cumberland or in Scotland itself?—Yes.

4047. And therefore, that anything which leads to an increased circulation of Scotch bank notes is practically an increase of profit to the Scotch banks?—It is so.

4048. The opening of branches in the North of England would lead to a circulation of Scotch bank notes in those districts, would it not?—Yes.

4049. And if they extended themselves gradually southwards over England, so the circulation of Scotch bank notes would extend itself southwards over England?—No doubt it would; it would follow them.

Sir *John Lubbock*—continued.

4050. Supposing that a customer of yours pays in to you a cheque of 5,000 *l.* drawn upon a Glasgow bank, does not the Glasgow bank charge you a commission for the payment of that cheque?—I have just explained that we have an arrangement with our Scotch correspondents under which there are no charges on either side.

4051. That is a special arrangement which you have made for yourselves?—It is; but if we sent a cheque drawn upon a Scotch bank other than our correspondents', to the bank which it was drawn, the Scotch bank would deduct a commission for paying over the amount.

4052. If you have a cheque upon any part of England, that amount is paid to you, free of charge, without any arrangement, is it not?—Yes; a cheque paid into us to-day we should send by to-night's post to the London clearing, and it is paid over to us on the following day without any deduction or any charge being made. The Scotch cheques are not, as a rule, sent to the London clearing, and are not paid in that way.

4053. And that country clearing is a great convenience to the country, is it not?—It is, no doubt.

4054. I suppose I may take it that the general tenor of your evidence is that although there are advantages in the circulation of 1 *l.* notes, on the whole you think that those advantages are outweighed by the disadvantages attending such a circulation?—I believe they are.

Mr. James Simpson Fleming, recalled; and further Examined.

Mr. *Fleming.*

Chairman.

4055. It has been proposed by a Member of this Committee to ask the Scotch banks to furnish us with three returns: first, the actual amount of the note issue of the Scotch banks, including in the amount those notes in the hands of other banks on each Friday in last May; secondly, the amount of notes received at each exchange during the same month; and, thirdly, the total amount of the working expenses of the Scotch banks. I should like to ask you whether you consider that those returns could be furnished, and whether there would be any objection to furnish them?—As regards the first return asked for, it is impracticable. No return is made by the branches of the Scotch banks as at the close of business on Friday; the only return made by their branches is as at the close of business on Saturday, and that for the purpose of the Government return. We could furnish the first return asked for, for the future; but we cannot furnish it for the month of May. With regard to the second return asked for, there is no difficulty; but it will be misleading. With regard to the third return, I should decidedly object to give it, except under a general order. If the Committee should think it right to ask for a similar return from the joint stock Banks throughout the Kingdom, then, on the part of the Scotch banks, I see no reason why it should not be complied with so far as they are concerned; but I should certainly very decidedly object to have the Scotch banks so singled out, in a matter of this kind.

Sir *John Lubbock.*

4056. Do not your branches keep any record of the amount of notes in their till at the close of each day?—They keep in their cash book at each branch an account of the notes on hand at the close of business on each day, when they strike the balance; but of course it would require an arithmetical calculation to arrive at the result pointed at in this return.

Sir *John Lubbock*—continued.

4057. But if you deduct from the amount of notes sent to the branch the amount remaining in hand, you will arrive at the result. Supposing that the head office sends to a particular branch 5,000 *l.* in notes, and that they have 4,000 *l.* remaining in hand on Friday evening, of course they will have issued 1,000 *l.*?—If you put it in this way, that each Scotch bank should direct all its branches to make a calculation with reference to each Friday, by making up an *ex post facto* return, it would be practicable to get to an approximation to it. But I meant to explain to the Committee that no return is in fact made by the branches of the Scotch banks to their head office on any day except at the close of business on Saturday.

4058. But of course each branch keeps a record of the amount of notes received from the head office?—Each branch keeps a record of the amount of the notes that it has on hand at the close of business, when it strikes its balance.

Mr. *Anderson.*

4059. But not of the different kinds of notes?—No.

Sir *John Lubbock.*

4060. It is not an *ex post facto* return in any sense in which any return is not *ex post facto*; if you deduct the amount which they have in hand from the amount received from the head office, that

Sir *John Lubbock*—continued.

that will give the amount that they have issued, will it not?—They do not keep any return of the amount of notes received from the head office. They credit that to the head office when they get it. We might ask for a return from all our branches of the amount of notes of our own bank on hand at the close of business on Friday, and in that way you might perhaps get at the result; but we have no return as it is.

4061. But you have a return of the notes remaining on hand at the branch, and if you deducted that from the amount issued from the head office, that would at once give you the real circulation; have you any objection to that?—I have no objection to give the Committee anything that they may wish for, provided that the Scotch banks are not singled out in this way, and put on their defence in a way that is disagreeable.

4062. The English banks do give that return, and I want to get a return from the Scotch banks, made in the same manner as the return from the English banks?—If it be the wish of the Committee that we should attempt it, I have no hesitation in saying that the Scotch banks will do what they can to furnish the information.

4063. With reference to the other point, I think you settle the exchanges by drafts on London?—The final settlement in Edinburgh takes place in that form, but that would not show what I apprehend you wish to get at, namely, the maximum amount of notes of each bank in the hands of the public, because the final settlement in Edinburgh embraces the clearing-house as well as the exchange.

4064. It is not merely the exchange of notes?—No; it includes both.

4065. You do not keep the exchanges of notes separate from the exchanges of cheques?—Not in the settlement; we could furnish you with the amount of notes received by each bank at each exchange during the same month; but these exchanges take place at every branch throughout the country; and if you added them together and thereby drew conclusions, they would be totally misleading.

4066. With reference to the third point, are you aware that the principal London joint stock banks do give that information?—Some of the London joint stock banks do; but I do not think that all of them do.

Sir *John Lubbock*—continued.

4067. At any rate the majority of them, I think, do?—I think that the London and Westminster Bank do; I rather think that the Joint Stock Bank do not; I am not sure that the Union Bank do; the National Provincial Bank of England do not, I think. Certainly, some of the London joint stock banks do not furnish their expenses; but in so far as the third item in this return is concerned, I would state, on the part of the Scotch banks, that they are perfectly willing to comply with it if it be made general; but that they would decline to comply with it if it be confined to the Scotch banks.

Mr. *Campbell-Bannerman.*

4068. By "general," you mean applicable to all joint stock banks; you would not go beyond that?—Certainly not.

Mr. *Orr Ewing.*

4069. You would not ask it from all banks of issue?—There are many banks of issue of a small character in England, with regard to which it would be of no consequence; I think that if it were limited to joint stock banks in England, Ireland, and Scotland, there would be no objection to it.

Mr. *Mulholland.*

4070. When you send notes to the branches, do you debit them with the full amount in general cash account, or do you only debit the general cash account with them, when issued?—As between the head office and its branches, those notes are all dealt with as cash and so debited.

4071. You do not distinguish between the issued and the non-issued notes?—We make no such distinction.

Mr. *Backhouse.*

4072. In taking the cash balances every night at your small branches, do you distinguish between your own notes and the notes of other banks?—I believe that, generally speaking, we do discriminate between our own notes and the notes of other banks.

Monday, 14*th June* 1875.

MEMBERS PRESENT:

Mr. Anderson.
Mr. Backhouse.
Mr. Balfour.
Mr. Campbell-Bannerman.
Mr. Stephen Cave.
Mr. Chancellor of the Exchequer.
Mr. Beckett Denison.
Mr. Orr Ewing.
Mr. Goschen.
Mr. Leveson Gower.
Mr. Hubbard.
Mr. Kavanagh.
Mr. Sampson Lloyd.
Sir John Lubbock.
Mr. Graham Montgomery.
Mr. Mulholland.
Mr. William Shaw.
Mr. Torr.
Mr. Hussey Vivian.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. WILLIAM BONNALLIE GORDON, re-called; and further Examined.

Mr. *Gordon.*

14 June 1875.

Mr. *Anderson.*

4073. YOU said that that the number of Scotch notes had increased in Carlisle since the Clydesdale Bank had opened in that city; I think you said that you would be willing to put in some returns to show the increase; are you prepared with those returns?—I think I showed to the Committee on Thursday that our own bank, the Cumberland Union Bank, had sent Scotch notes down to Scotland at the rate of 27,600 *l.* per annum for the four years previous to the Clydesdale Bank coming into Cumberland.

4074. Can you state separately the quantity of 1 *l.* notes in that amount?—I cannot; for the year 1874 we sent down 31,215 *l.*

4075. Can you include also the quantity that you paid away?—No.

4076. Then it is an imperfect return as showing the actual circulation of Scotch notes?—It is what comes through our hands, what we send down to Scotland; and for the five months of this year, so far as it has gone, it is at the rate of 48,500 *l.* per annum.

Sir *John Lubbock.*

4077. Do you pay away many Scotch notes?—It does occasionally happen that a Scotchman comes in and says, "I am going down, and I can take any quantity of Scotch notes that you like," and we give them away to him.

Mr. *Anderson.*

4078. Previously to the Clydesdale Bank coming to Cumberland, did you cash Scotch notes in the same way that you do now?—We make no difference whatever; we take them from our customers.

4079. And you took them then?—Yes, but we do not take them from strangers across the counter.

4080. Do you make any charge for them?—They go to the credit of our customers' account.

Mr. *Anderson*—continued.

4081. Free from any kind of charge direct or indirect?—It depends altogether upon the character of the account.

4082. Then you do sometimes make a charge?—We do.

4083. Is that to debtor balances or to creditor balances?—To debtor balances. The commission, whatever it may be, charged on such an account covers everything.

4084. But if it is a credit balance, what then?—There is a small charge or per-centage, or deduction of a certain number of days' interest until the notes are in cash.

4085. Is that a system of charging that you have in Cumberland generally?—No.

4086. But it is done in certain cases?—It is done in certain cases until they are in cash.

4087. How many days would you deduct?—There would be 10 days deducted probably; but there is no regular system, and it altogether depends upon the character of the account.

4088. I think you said that to non-customers your charge was 3 *s.* 6 *d.* per cent.?—Yes.

4089. Then to non-customers it is 3 *s.* 6 *d.* per cent., and to customers it is 10 days' interest?—Yes.

4090. Does that apply not only to your Carlisle office, but to all your other branches?—It applies to all the branches.

4091. Is there any difference of charge made at branches in towns where the Clydesdale Bank do not compete with you?—None whatever.

4092. The competition of the Clydesdale Bank does not affect your charge upon notes?—No.

4093. Can you also say how many English notes go into Scotland?—No.

4094. How do you get back your English notes when they do go to Scotland?—Sometimes they are sent to us direct by our own correspondents; others again are received by us from the two other joint stock banks in Carlisle who receive them from their correspondents, and bring them

Mr. *Anderson*—continued.

them to us in the ordinary course of exchange; so that we do not know whether they have come from Scotland or from any part of England.

4095. Does this increasing issue or circulation of Scotch notes in England show that the public find them a great convenience?—I do not think it does.

4096. Do you not think that their coming in an increasing quantity shows that the public find them a convenience?—No; they are in a measure forced upon them.

4097. How?—As I explained to the Committee on Thursday, commercial travellers, and cattle dealers, and men in various lines of business, when they are in Scotland collecting moneys, of course get the moneys of the country, Scotch bank notes; to change those Scotch bank notes into English money in Scotland would cost them considerably more than to pass them to the credit of their account in England, and so they come into England almost perforce.

4098. But the tradesmen and shopkeepers show no reluctance to take them, do they?—No; such is the competition in trade that they will take anything that any bank in Carlisle will take. They know there is a Scotch bank in Carlisle will take them.

4099. Do they take 1 *l.* notes quite as freely as they would take sovereigns?—I cannot answer that question.

4100. Have you ever heard of any difficulty about it?—No.

4101. You said, did you not, that your only objection to 1 *l.* notes was that they were dangerous in times of panic?—Yes, that is the great objection; but there are other objections as well, such as the fact that they are more liable to forgery.

4102. Do you mean that they are more likely to be forged than sovereigns?—No, they would be more liable to forgery in England than in Scotland, from the fact of its covering such a much larger surface, and from the population being of a very different class.

4103. Would they be more liable to forgery than 5 *l.* notes?—I think so, because the 1 *l.* notes would not circulate in the hands of those who are so able to detect forgeries as those among whom the 5 *l.* notes circulate. The 1 *l.* notes circulate in the hands of poor people who would not know the difference between a genuine and a forged note.

4104. Are you aware that there is no such difficulty in Scotland?—There have been frequent forgeries.

4105. But do you think there is greater risk of forgery in England than there is in Scotland?—I do.

4106. Do you think there is a greater risk of forgery of a 1 *l.* note than there is of base metal in a sovereign, or of light weight in a sovereign?—I think so; but I only give that as my own opinion.

4107. Do you remember the money crisis of 1866?—I do.

4108. Of 1857?—I do.

4109. And of 1847?—I do.

4110. Do you consider that those were panics?—I believe so, in more or less degree.

4111. Did you hear that there was any rush for the payment of 1 *l.* notes in Scotland on those occasions?—I believe there was a rush for the

Mr. *Anderson*—continued.

deposits at the banks and for gold for the notes, inasmuch as it is on record that the Scotch banks brought down a large quantity of gold on that occasion in 1857.

4112. The deposits might be for 5 *l.* notes, or 20 *l.* notes, or for 100 *l.* notes. I am specially asking about 1 *l.* notes at present, and I ask you whether you are aware that there was any rush for the payment of 1 *l.* notes in Scotland during those panics?—There is no information upon that subject distinguishing the rush for 1 *l.* notes from the rush for 5 *l.* notes.

4113. You mean that you have no information?—I have none.

4114. Did you ever hear of any such in Ireland?—No.

4115. Would you be surprised to be told that there was none whatever in Scotland, and that even the Western Bank notes, when the Western Bank failed, were only discredited for two days?—I know that that is said.

4116. Do you know any other place where there has been a rush for the payment of 1 *l.* notes or of small notes in times of panic?—Not of late years; but it is on record that there have been frequent runs upon the Scotch banks before they became so consolidated.

4117. That is to say, when they were weak institutions, private banks mostly?—I do not think that the old Scotch banks were ever weak institutions.

4118. Are you aware that the banks upon which the run was were private banks which were weak institutions?—It is the joint stock banks that I refer to that there was a run upon.

4119. When was that?—It is beyond my recollection, but I have read it in reports.

4120. Can you name the bank?—No.

Sir *Graham Montgomery*.

4121. Before 1826, I suppose you mean?—Before 1833.

Mr. *Anderson*.

4122. Do you remember the panic of 1825?—I do not.

4123. You have heard of it, I suppose?—I have heard of it.

4124. Did you hear that an issue of 1 *l.* notes then saved the Bank of England from suspending payment?—It is said so, but I am not aware that it is the fact.

4125. You are not disposed to modify your opinion that 1 *l.* notes would be dangerous in time of panic?—No.

4126. But, at the same time, you cannot say that that opinion is based upon any experience whatever?—In the year 1857, when the panic extended itself to Glasgow, one of the Scotch banks there had a savings bank attached to it, which was open, I understand, on Saturday evenings only, and I believe that the run for the deposits on that savings bank intensified the panic in Glasgow very much, and led to the closing of the doors of that bank.

4127. When they ran for the deposits did they get paid for them in notes or in gold?—They got paid for them in notes, and it led to the closing of the banks whose notes were paid.

4128. But they got paid for the notes?—In the long run they did.

4129. Therefore the run was for notes and not for gold?—They could not get gold at the

Mr. *Gordon.*

14 June 1875.

Mr. *Anderson*—continued.

savings bank, but they got the notes, and they took the notes to the bank whose name appeared on the face of them, and the rush closed the doors of that bank.

4130. What bank was that?—The City of Glasgow Bank. That was in 1857.

4131. Then you distinctly stated that the rush for payment of notes of that bank got from the savings bank, led to that bank closing its doors?—I believe so.

4132. Did it lead to any loss to the public from its notes?—I believe not.

4133. Do you know how long that bank remained with closed doors?—I am not prepared to state how many days or weeks it was, but it was a few weeks, I think.

4134. Did the bank then re-open?—Yes, it re-opened then.

4135. They paid everybody in full, did they not?—Yes.

4136. Are you aware whether, during the time that it was closed, its notes remained current among the community?—I cannot speak to that.

4137. You are not aware that there was any run upon them?—There was a run upon them which compelled them to close their doors.

4138. But we are speaking only of 1 *l.* notes just now, and you say that the run for 1 *l.* notes got from the savings bank led to the closing of the City of Glasgow Bank?—Yes.

4139. Are you aware that all the time during which that bank remained closed, its 1 *l.* notes were freely taken by the community?—I cannot speak as to that.

4140. You said, I think, that every additional 1 *l.* note issued was a profit to the bank issuing it?—Yes.

4141. Is that the case when the authorised issue is already far more than exceeded, and when every additional note can only be issued with a sovereign at its back?—No doubt it is.

4142. Is not the cost of keeping that sovereign greater than the profit they get from issuing the note?—That may be, but they would keep the sovereign nevertheless, even although they did not issue the note.

4143. Do you mean that whatever was the amount of their issue, they would never extend the quantity of their gold?—As prudent bankers they would keep that gold whether they had the over-issue or not.

4144. But if they increased their issue, would they increase their gold?—I believe that they would, as prudent bankers.

4145. Then if they would increase their gold as they increased their issue, where would be the profit upon the issue?—Because as the issue increases, the general business of the bank is increased. The gold is there against the liabilities of the bank, its deposits. As the circulation increases, the deposits increase, and it compels them, as prudent bankers, to hold a greater quantity of gold.

4146. Still you say that as their issue increases they must hold more gold?—They must.

4147. If the Cumberland banks got the same power of unlimited issue, and of issuing 1 *l.* notes against gold as the Scotch banks possess, would you consider that a great advantage to them?—Very great.

4148. You would wish to see that change carried into effect, would you?—As bankers we should be very glad to get it; at the same time I should be very sorry to see it carried through.

4149. Would that be a benefit only to the banker, or would it be a benefit to the public as well?—It would be a benefit to the banker at certain times, but it would be very disastrous to general public; I believe that it would lay the foundation for such a panic as England has never yet seen if there were an unlimited issue of 1 *l.* notes in England.

4150. Would it enable the bankers to do the banking business for the public at a lower charge?—It would, certainly.

4151. Then to that extent it would be a benefit to the public, would it not?—Yes.

4152. Did you not say that you already did your business as low as the Clydesdale Bank do?—We do it lower, I think.

4153. Then you would do it lower still, I suppose, if you had this extra advantage?—I think that there is very little doubt of it.

4154. Then that would be a still greater advantage to the public than the Clydesdale Bank have given them by going to Cumberland, would it not?—Yes.

4155. Is there an association of bankers in Cumberland?—No.

4156. Has there never been such an association?—Yes, there was at one time an association of Cumberland and Westmoreland bankers together.

4157. Was that an association as a defence against the Scotch banks?—The Scotch banks were not heard of in Cumberland when that association was in existence.

4158. Was it formed in 1864 or 1865?—Somewhere thereabouts.

4159. How long did it last?—A couple of years, I think.

4160. Was it not in existence in 1874?—Certainly not.

4161. What were its objects when it was in existence, did it fix rates of interest and rates of discount?—It fixed rates of interest, but it left the rates of discount very free.

4162. Have you any scale of the rates of interest at different periods?—I have not.

4163. Are you aware that we got that from the Scotch banks?—Yes; but there is but one bank in Scotland as regards rates.

4164. Is there no kind of agreement among the Cumberland banks?—There is a general understanding, the same as there may be among the London or Manchester bankers, but there is no agreement.

4165. Are the rates of interest on the general understanding based upon any fixed principle; for instance, do they bear some proportion to the bank rate?—They bear some proportion to the Bank of England rate. We watch the operations of the London joint stock banks who invariably advertise, and we also watch the advertisements by the Scotch banks and we act accordingly; each one for himself.

4166. When the bank rate was 10 per cent. what rate of interest on deposits did you allow?—We followed the London bankers on that occasion, by not giving more than 5 per cent; I speak from memory.

4167. What do you allow when the bank rate is 8 per cent.?—I could not say.

4168. What do you allow when it is 7 per cent.

Mr. *Anderson*—continued.

cent. ?—I could not give any scale; but 10 per cent. is an extreme rate, and therefore it was somewhat impressed upon my memory.

4169. When it is 5 per cent., can you tell me what you allow?—I cannot. I can give you the rates at present, but that is all.

4170. You cannot give the rates for any former periods?—No; and even then, it varies according to the character of the accounts; it is not a fixed rate for all deposit accounts on all traders' accounts.

4171. Is it the same at all your branches?—It is the same at all the branches.

4172. Did you make any difference in the rates after the Clydesdale Bank came in?—We paid more attention probably, to the advertisements of the Scotch banks.

4173. That is to say, you watched what they were?—We watched what they were doing as we always had done. We watched the Bank of England, and the London joint stock banks' advertisements, and the Scotch banks' advertisements.

4174. But before the Clydesdale Bank went to Cumberland, you did not feel any necessity absolutely to follow them?—No.

4175. Whereas now you do feel a necessity absolutely to follow them?—Yes.

4176. And you do so?—We watch what they are doing and act accordingly.

4177. And you charge the same as they do?—I believe we charge less just now. Their allowance on deposits is 2½ per cent., so is ours, and their interest on current account is 1 per cent., but ours is 2 per cent.

4178. Do you allow the same rate on deposits at all your branches?—The same.

4179. Is that so at Hexham, for instance, where the Clydesdale Bank have no branch?—I believe it follows the Newcastle banks, but I do not know what it is. A discretion is left with our agents there.

4180. Then your deposit allowance is not the same at all your branches?—I talked of Cumberland before, but Hexham is in Northumberland.

4181. In other words, Hexham has no branch of the Clydesdale Bank, has it?—The Hexham branch follows the Newcastle rate entirely.

4182. Is there a branch of the Clydesdale Bank at Hexham?—I am not aware. I do not think so.

4183. And therefore you do not feel any necessity to follow the rate of the Clydesdale Bank?—If there were a branch of the Clydesdale Bank there, their rate would be lower than we are allowing now, so that it tells the opposite way.

4184. So that you compete at Hexham not with the Clydesdale Bank, but with the Newcastle banks?—Yes, but there is very little competition; we work harmoniously together.

4185. Is the rate of allowance of interest on current account balances uniform to all your customers?—No, it depends altogether upon the character of the account.

4186. In what way? Does it depend upon the extent of the account?—It depends upon the extent of the balance that is kept, upon the number of transactions upon it, whether those transactions are across the counter, or are tranfers of money to London, Liverpool, Manchester, or elsewhere. Very many of those things have to be taken into account in fixing the rate of interest to be allowed.

Mr. *Anderson*—continued.

4187. Then is every account a definite bargain with the individual customer?—Yes.

4188. Is it the same at all your branches?—It is the same.

4189. Then you cannot draw any comparison as regards current accounts between your bank and the Scotch banks, because they have an uniform rate?—Their uniform rate is 1 per cent. just now on current accounts calculated on the daily balance. Our rate is 2 per cent. allowed on the daily balance also. That as a general rule.

4190. Is that allowed yearly or half yearly?—We make it up half yearly, and credit the interest half yearly and bring forward the balance.

4191. On your debtor accounts you debit the interest half yearly?—Just so.

4192. Have you any special deposits on which an increased rate of interest is allowed if left for a term of years?—We have a few if they remain three or five years. We take nothing for less than three years, but it is very trifling, it does not amount to much.

4193. Did I understand you to say that your present rate on deposit receipts was 2½ per cent.?—That is the present rate.

4194. With regard to commissions, you were asked some questions about a 5,000 *l.* cheque, supposing you sent it to Glasgow, and you said that you got it paid in Glasgow without any charge from the Scotch bank because you had an arrangement with them; was that so?—That was so.

4195. Do you make any charge to your customers for that cheque?— We do.

4196. Then you have a clear profit upon that cheque yourselves?—That does not follow, because what the Scotch bank does for us we do for the Scotch bank; we collect all that they have in Cumberland free of charge in the same way.

4197. But still you have no charge made to you for this particular 5,000 *l.* cheque, and you do make a charge to your customer; what is it?—3 *s.* 6 *d.* per cent.

4198. Whatever the amount?—I think as Mr. Goschen said, a 5,000 *l.* cheque would not come very often; it was a mere fancy figure.

4199. Supposing it to be a 1,000 *l.* cheque, I do not care about the amount?—But you must understand what I have already stated, that upon an account where a commission is charged there would be nothing additional.

4200. On a debtor balance?—On a debtor balance.

4201. But on an account with a customer having a credit balance, what should you charge?—We should either charge them the 3 *s.* 6 *d.* per cent. or deduct the interest.

4202. Ten days' interest upon 5,000 *l.*, you are aware, is about 6 *l.* 10 *s.*?—Yes.

4203. Then 6 *l.* 10 *s.* would be the charge upon a 5,000 *l.* cheque?—Yes; but, as I have already stated, there would be no such thing, because the transaction would be entirely exceptional, and would be treated exceptionally.

4204. The charge on a 1,000 *l.* cheque would be about 30 *s.*, would it not?—Yes, it is the same as the Scotch banks would charge for a cheque between Glasgow and Carlisle.

Mr. *Gordon.*

14 June 1875.

Mr. *Anderson*—continued.

4205. Are you aware that the Scotch banks charge 15 *s.* 1 *d.* as the maximum charge on any amount?—I am not.

4206. What would you charge your customers for granting a letter of credit on Glasgow; would it be the same rate of 3 *s.* 6 *d.* per cent.?—On a debtor account there would be nothing where commission is charged, but with a credit account I am not quite sure, but I think it is one-eighth per cent.; you will understand from what I have said that the commissions in our mode of doing business are charged in a lump sum at the end of the half year; in the Scotch banks they charge them from day to day just as they occur.

4207. They charge no commission, do they?—They would charge a commission upon a cheque from Scotland to Carlisle.

4208. Supposing a customer of yours sends a cheque out of your county and it comes back for payment, would you charge a commission on it?—No, nothing extra.

4209. You get it cleared through the Clearing House?—Yes, and there would be no extra charge for that.

4210. Do you discount at the bank rate in discounting bills to your local customers?—It varies.

4211. There is no rule about it?—There is no rule about it; it depends altogether upon the character of the bills.

4212. Do you mean the currency of the bills or the supposed solvency of the bills?—The general character of the bills.

4213. I can quite understand that you make a higher charge for three or four months than for two months, or more for six months than for four months; but do you also make a different charge upon two bills of the same currency?—Certainly, if the one was a first-class bill and the other was not of that character, it would not be entitled to the same rate of discount.

4214. Who fixes the class of the bill?—The manager of the bank reads the bill and sees what it is, and he fixes the rate.

4215. Then in reality you charge a *del credere* rate; it is a rate to cover the risk?—It is the same as the Bank of England does itself; the Bank of England does not discount all its bills at the minimum rate; it charges a different rate for different classes of bills.

4216. You are aware that the Scotch banks adhere entirely to a uniform rate?—I understand so.

4217. It must be much easier for the customers of a Scotch bank to know exactly what they will be charged on all occasions, than for a customer of yours?—Yes, but I understood one of the Scotch gentlemen to say that the rates which he named were the minimum rates.

4218. Did he not also say that he made no difference of charge in reference to the solvency of the party; but that he would not take a bill at all unless he thought it was solvent?—He added afterwards that he would take bankers' acceptances at a lower rate.

4219. I think the distinction was as to London paper, and not as to local bills?—I understood that your questions had reference to London paper.

4220. My questions have been entirely as regards local paper?—Our own customers bring us a quantity of London paper.

Mr. *Anderson*—continued.

4221. Do you discount that at the bank rate?—Yes, in the manner that I have been stating.

4222. What do you say about local paper?—Local paper is generally discounted at a fixed rate, but not always.

4223. That is to say, such a rate for four months and such a rate for six months?—Yes, our local bills are generally three months.

4224. Do you employ all your capital and deposits in your own locality except what reserves you consider is necessary to keep in London, or do you discount elsewhere through England; do you discount, for instance, for any other English banks?—We have done so, and we occasionally do so still.

4225. Do you do so on more favourable terms to them?—Certainly; they can command more favourable terms.

4226. Is it because you cannot employ all your money in your own locality that you re discount to other English banks?—Not because we cannot, but because we do not think it desirable to employ the whole of our resources in our district; it would be possibly locking up too much of our money; if we discount for the brokers of Lombard-street and other bankers who require cash, those bills are paid at maturity to a certainty, and we can command the money at any time.

4227. Whereas your local loans you are not sure about?—It would be imprudent to lend out too much in that way.

4228. Do you suffer heavily from bad debts?—We have not done so hitherto.

4229. Can you give anything like a per-centage such as was given by the Scotch banks over a long period?—I cannot; I think that was given only for the Royal Bank, and not for the others.

4230. I think we had a statement from you as to the capital and the reserves of the Cumberland banks; can you also state what the profits have been?—I cannot state what were the profits of each bank; I could have supplied it very readily, because they are all published and it is all public property, but it escaped me, or else I should have brought that as well; I can tell you our own.

4231. Can you tell me the profits of the other two Carlisle banks?—I could not tell you that off-hand, and I can only tell our own from the last report.

4232. The capital, I think you said, of the Cumberland Union Bank was 225,000 *l.*, and the reserve 83,000 *l.*?—Yes.

4233. What was the profit?—The net profit, taking it as the Scotch banks did, after deducting 4 per cent. upon the capital, and upon the reserve, was 33,500 *l.*

4234. That was the net profit upon the balance sheet after deducting 4 per cent. upon capital, and 4 per cent. upon reserve?—Yes, after deducting 4 per cent. upon 300,000 *l.*, in fact.

4235. What per-centage is that?—£. 14 18 *s.* 5*d.*

4236. Nearly 15 per cent.?—Yes.

4237. In what year was it that the Clydesdale Bank came?—It was the beginning of 1874.

4238. Can you state in a similar way what your profit was the year before the Clydesdale Bank came?—I cannot, but it has made no difference whatever as yet; it has had no time to make any.

4239. Do you make as much profit now as you did

Mr. *Anderson*—continued.

did before the Clydesdale Bank went there?—We find no appreciable difference at all; it has had no time to make any difference.

4240. I thought you said that you were not able to compete with the Clydesdale Bank on account of the exceptional legislative advantages that they have?—That is perfectly true if it is allowed to remain there.

4241. Then it is only in regard to the future that you are afraid, and not in regard to the past?—Just so.

4242. Can you also state the amount of your deposits as compared with your profits in the same way as the Scotch banks did in the "Economist" style; what were the deposits?—The deposits and credit balances of the Cumberland Union Bank are 1,800,000 *l.*, and I think that brings out 1 *l.* 17 *s.* 2 *d.* per cent.

4243. That is 37 *s.* 2 *d.* per cent. that you make on your deposit money as compared with the 21 *s.* 5 *d.*, if I remember right, of the Scotch banks?—Yes, but you must remember that that was an average, and that this is not an average; this is our own bank.

4244. But you are unable to state it as an average of the three Carlisle banks or of the five Cumberland banks?—I did not make up the others.

Mr. *Sampson Lloyd.*

4245. It is not even an average of years of your bank, is it?—No, but it is one year, and one year which happened to be a very good year.

Mr. *Anderson.*

4246. I think you stated that there has been no difference since the Clydesdale Bank has come to Cumberland?—We have found no appreciable difference.

4247. Then, in an average of years, would there be any difference in those two figures, of 15 per cent. and 37 *s.* 2 *d.* per cent.?—I think there would.

4248. Would they be higher or lower?—It would depend altogether upon the amount of money that we had to work with. We could do more work with more money and no more expense.

4249. Have the prices of your shares fallen at all since the Clydesdale Bank came in?—They have risen in price, I think.

4250. And you have not suffered in any way whatever from the competition of the Clydesdale Bank?—Not at all.

4251. Then, in fact, it is only future competition that you are afraid of?—It is so.

4252. The Scotch banks, I think you said, collect the deposits in the small towns and villages, and they take that money into England to stock the tills of their English branches, and you object to that; but is not that a great benefit to the public of England?—That remains to be seen.

4253. Is it not a benefit to them that this Scotch money should be employed in England?—It has been stated by several of the Scotch bankers before this Committee, that they do business in England upon the English system.

4254. That is in London; but they do not do business in Carlisle upon the English system, do they?—They say so in the Carlisle office; they have been asked over and over again in the Carlisle office, and they say: "We have come to England to do business upon the English system."

Mr. *Anderson*—continued.

4255. You are speaking of what you have heard at Carlisle?—It is what is said at the Carlisle office.

4256. The manager of the Carlisle office, do you mean?—Yes.

4257. What is it that the manager of the Carlisle office says?—That they do business on the English system.

4258. Has he ever told you yourself that?—No.

4259. Then I suppose that it is merely hearsay?—It is something almost stronger than hearsay, but still it is only hearsay.

4260. You say that the manager of the Carlisle office himself gives out that they are doing the business on the English system, and not on the Scotch system?—Yes.

Mr. *Orr Ewing.*

4261. When did the Union Banking Company start business?—In 1829; it is one of the earliest joint stock banks in England; it is the third oldest joint stock bank I believe.

4262. Has it increased its capital since that time?—Very much; all the Cumberland banks have.

4263. I see that your authorised capital and shares were 20,000 shares at 30 *l.* each, being a nominal capital of 600,000 *l.*?—That is so.

4264. But you do not seem to have got all your shares taken up by the public, 18,000 shares only have been taken up?—We have only to put them in the market, and they would be taken up at once, but we reserved them on purpose, and the moment we see that the bank requires more capital, there is the provision for its extension.

4265. You surely cannot call it capital, if the shares are not subscribed for by the public?—There is the provision for it. We can either issue more shares, or we can call up some of the uncalled capital.

4266. Then you have only called up 12 *l.* 10 *s.* per share?—That is so.

4267. Can you put in a statement of your average dividends for the last 10 years?—Certainly, but I cannot do it to-day.

4268. You cannot give similar information in regard to the other banks?—No, I need not remark to you that it depends altogether upon the capital; and the capitals of some of the Cumberland banks are very small and the dividends of course appear so much larger.

4269. But you might put in the capital, the deposits, and the dividends at the same time?—Yes.

4270. You have 17 branches, I think?—Yes.

4271. And your authorised circulation is about 35,000 *l.*, is it not?—That is so.

4272. That is about 2,000 *l.* to each branch?—Yes, but at some of them we do not issue.

4273. How are you able to regulate the circulation?—There are some branches that we do not supply with our own notes at all, and we do not issue in Carlisle; we keep the circulation for our outlying branches.

4274. Do you allow a larger amount of notes to remain with each branch than they are entitled to circulate?—No, branch has a limit. We watch it ourselves, we have returns every morning as to the amount of notes on hand, and the amount issued, and if we find that they are getting near the limit, we telegraph at once, "stop issuing our own notes."

Mr. *Gordon.*

14 June 1875.

Mr. *Orr Ewing*—continued.

4275. Does it frequently happen that you find yourselves in excess to any extent of your authorised issue?—Yes, about the third week, and then it is a pull up during the fourth week.

4276. Is that against the law?—No, we are allowed to issue to any extent during the month, provided that, on the average of the four weeks on the Saturday night of the fourth week, we come within our limit.

4277. And sometimes you may be issuing three times the amount of your authorised issue, I suppose?—That is impossible.

4278. Could you state to the Committee what is the largest amount you ever found yourselves in excess of your authorised issue?—I have a case in point. There was one occasion when we were 50 *l.* over on the morning of the fourth Saturday.

4279. I would rather that you gave it me on the first, second, and third Saturdays?—I cannot; I have not the information here.

4280. Is your greatest issue immediately after you have given your return?—The greatest issue is in the month of April.

4281. But at which period in the four weeks is your issue greatest?—There is no difference whatever.

4282. You do not care what your issue is during the first three weeks, I suppose?—It is an exaggerated statement to say that we do not care for it.

4283. But you are indifferent about it?—We cannot be indifferent about it, because it is difficult to bring them in again in such a small issue. With 50 *l.* over on the morning of the fourth Saturday, we had to draw in 1,200 *l.*

4284. And you had been going on perhaps from the middle of the month drawing in?—Yes.

4285. And these over-issues do not take place upon the basis of gold?—No, we have no liberty to issue against gold.

4286. It would therefore be a safer thing for the public in case of a panic if you had the privilege of issuing upon gold beyond your authorised amount, would it not?—Yes; or to extend the period over which the averages are taken.

4287. You find, I think, that your local notes are preferred by the public to Bank of England notes?—They are; in the country districts. Of course business people in towns know differently, but the country people prefer our own notes.

4288. The Bank of England notes are a legal tender, are they not?—They are in England.

4289. And still you are very much afraid of Scotch notes getting a circulation in Cumberland, although they are not a legal tender?—We are not afraid of it in a sense, but it is an annoyance to be obliged to take Scotch notes from our customers and to send them away in large bundles to Scotland. It is no profit to us, nor is it any diminution of our profit that they should circulate.

4290. But the annoyance cannot be great when you have a Scotch bank close by?—There is only one Scotch bank there, and that one bank does not take the notes of all other Scotch banks. If all the 11 Scotch banks came, it would be different.

4291. Would they refuse them?—We could not ask them.

4292. Have you ever asked them?—Certainly not. They do not do it in their own country. If there are two banks, say in the town of Annan, close to the Border, the Bank of Scotland and the British Linen Company, for instance, they would not exchange the notes of the other nine banks.

Mr. *Orr Ewing*—continued.

4293. The banks of Scotland take each other's notes freely from customers, do they not?—From customers; but they would not take the notes of the other banks from one another.

4294. Do you think that there is the least chance of Scotch bank notes, which are not a legal tender, having circulation in Cumberland, when the Bank of England notes are not popular there?—There is no doubt that they will, and I think that the statistics show that they are increasing. We have had it from the manager of the Clydesdale Bank himself, in addition to the figures which I have read to you, that, comparatively unknown as the bank is, having only been established twelve months in Carlisle, they have taken no less than 28,000 *l.* in Scotch notes.

4295. Is not that a very small amount considering that so many Scotchmen go into Cumberland to carry on business there?—It is not a small amount when you remember that they are prohibited, and that there is a penalty upon taking 1 *l.* notes.

Mr. *Beckett Denison.*

4296. Does the 28,000 *l.* apply strictly to 1 *l.* notes?—I believe that it applies to 1 *l.* notes and 5 *l.* notes as well. That is in addition to what the other banks have taken. We have taken during the year 1874 about 100,000 *l.*

Mr. *Orr Ewing.*

4297. You seem to think that the outlying districts of Scotland are much more drained of money that used to be hoarded, because of the large number of branches that the Scotch banks have established?—Yes.

4298. And you thought that that was a great advantage to the public?—No doubt to have a bank in a small town is a great advantage to the public.

4299. It is an advantage to dig up loanable capital for the enterprise of the world, is it not?—No doubt.

4300. And you think that if you had that system, it would give you larger resources in Cumberland?—We should be very glad, speaking individually, to have the 20 *s.* notes, and to issue against gold, if that is what you mean.

4301. You gave it as your opinion, did you not, that the resources of Cumberland had not been developed to the same extent as those of Scotland?—I did not say so. I think that they have been very well developed; we have 39 banks in Cumberland.

4302. I think you stated in answer to a question that the resources of Cumberland have not been so thoroughly obtained in the way of deposits, because of your not having the Scotch system?— I have no remembrance of saying so.

4303. I thought you founded upon that as one of your grievances that you could not go into the little towns and villages to establish branches, and that therefore you could not obtain the wealth which was there?—I did not say that. I said that the Scotch banks went into the small towns and villages in Scotland, that they there got

Mr. *Orr Ewing*—continued.

got deposits without expending any capital with which they came to England, and competed by means of the money so obtained with the English banks, who could not obtain deposits in that way.

4304. But if you get the same class of money in Cumberland, what have you to complain of?—But we have it not.

4305. I understood you to say that you, not having the same system that they have in Scotland, have not the facility of obtaining the same amount of deposits that you would have had if you had the Scotch system?—We cannot do what they do, but whether it is politic to drain, as they do, every village and hamlet in Scotland of its money, is a matter upon which I will not give an opinion.

4306. Do you think that it is better to have money in a locker than in a bank?—There is a medium in everything.

4307. Moderation in all things, but not surely as to deposits?—I am not talking just now as a banker.

4308. What are you talking as?—I am speaking as to whether it is politic for the country to allow such a thing to be done.

4309. Is not the obtaining of loanable capital in the form of deposits, the foundation of all banking?—No doubt.

4310. And, therefore, the more money you can develope or obtain fromthe tills in which they are in the habit of keeping it locked up, the better for the country?—Yes, as a rule, that is so.

4311. It makes a larger amount of loanable capital, does it not?—Yes, but we are restricted by the Legislature; however, I wish to give no opinion upon that point.

4312. A question was put to you by the right honourable Member for the City of London, as to the effect that it would have upon the English banks, supposing that a sum of money, as an indemnity, was given to the Scotch banks for the privilege which they have of circulating 1 *l.* notes and 5 *l.* notes; is it not your opinion that such a proceeding would be very injurious to the public interests of Scotland?—It would depend upon what system was substituted for the present system, if it were done away with.

4313. Supposing that the power of issuing notes was taken away from the Scotch banks, do you not think that it would be injurious to the public interests of Scotland?—I do think so; if the power of issue by the Scotch banks were taken away from them, I think that it would be injurious to the country.

4314. And, therefore, the public have a separate interest from the banks, have they not, supposing that it was proposed to indemnify the banks by a payment of money?—That is so.

4315. It struck me that your own opinion was in favour of extending the Scotch system of banking in England, rather than of curtailing it in Scotland?—I think I set out, by remarking that the Scotch system of banking is in England. I draw a distinction between banking and circulating notes.

4316. But would you prefer to expand the system in England, rather than to restrict the system in Scotland?—As a banker I should be very glad to have the privilege of issuing 1 *l.* notes, but, as I have already stated, I believe that it would be disastrous to the country.

4317. If the notes were issued upon gold, do you think that it would have a tendency to be disastrous?—I do not think that it is practicable to earmark the gold as against the notes.

Mr. *Orr Ewing*—continued.

4318. But after the questions which have been put to you by my honourable friend, the Member for Glasgow, as to the circulation of 1 *l.* notes, as to the perfect freedom from panic, and as to the 1 *l.* notes having been always met by the bank issuing them, do you still remain of the same opinion that it would be dangerous?—I do. I state this: that the Scotch system has required generations to build it up, and to reach the safe and solid position that it now occupies, and that to introduce that system without warning into England would, I believe, as a matter of course, produce panic.

4319. You think that England is not sufficiently educated to participate in the advantages which are enjoyed by Scotland?—No, I mean this: that it has been the work of two centuries to consolidate the system in Scotland, and I cannot but think that it would take, not two centuries in England, but certainly a long time, to accustom the people of England to the 1 *l.* notes in the same manner as the people of Scotland have become accustomed to them.

4320. Do you think that the present system of banking in England has been so satisfactory that you can make no improvement upon it?—Certainly not.

4321. Are you conversant with the history of banking from the end of the last century up to the present day?—I know something about it. I have been engaged in it all my life.

4322. Is it not the fact that in England the amount of failures of banks, private banks, and others, which took place during the great crises beginning in 1793, have been vastly more disastrous than anything that has ever happened in Scotland or Ireland?—I cannot think so. The failures of those numerous private banks in England arose from the fact that there were no joint stock banks allowed in England until the year 1826, whereas Scotland was allowed to have joint stock banks; so that long before the panic arose in England against the weak banks, the weak banks had been cleared out of Scotland. There were as numerous and extensive failures in Scotland in the olden time as there have been in England recently.

4323. Do you mean by "the olden time" the time before 1826?—Yes.

4324. Are you aware how many banks failed in England in the year 1793?—I am not aware.

4325. Would you be surprised to hear that one-third of the country banks stopped in that year?—It depends upon what you call a banker. Some were brewers and bankers, and so on.

4326. Are you aware how many failed in the years from 1809 to 1830?—I am not.

4327. Would you be surprised to hear that the number was 311?—Were they bankers carrying on business, or were they shareholders in banks? Some of them were called bankers simply because they were bank shareholders.

4328. Are you aware of the comparative amount of bankruptcy in Scotland and in England?—No.

4329. Or of the dividends paid in bankruptcy?—No.

4330. You are not aware that the number of bankruptcies

Mr. *Gordon.*

14 June 1875.

Mr. *Gordon.*

14 June 1875.

Mr. *Orr Ewing*—continued.

bankruptcies is vastly greater in England than in Scotland?—I am not aware.

4331. If you found that to be so, would you not attribute it to the more healthy condition of business in the one country than in the other, and to the system of banking that had been carried on?—I could not say so.

Mr. *Goschen.*

4332. In fact, these are matters of which you have no knowledge?—Just so.

Sir *Graham Montgomery.*

4333. In dealing with customers who have accounts with you, are you guided a good deal by the circumstances of a man's credit as to the terms upon which you charge him interest upon his account?—That is one element in the calculation.

4334. Take the case of a landed proprietor who is not in business, and who has his rents paid in at stated periods; what rate of interest do you charge him upon his account, if he overdraws it?—Many things would require to be considered before I could name a rate for that; first of all, how long will he require it? If he require it for any length of time it would probably be declined.

4335. Then you do not allow him to overdraw?—Not permanently.

4336. But of course his account is filled up from time to time by payments coming in?—If it was to anticipate his rents for a matter of three months we might let him overdraw.

4337. It must be a special arrangement?—Yes; he would come and ask, and the probability is that he would get leave at once to do so, and he would be charged the current rate of interest.

4338. Supposing that he overdrew his account without notice, would you send him notice that his account was overdrawn?—That would depend altogether upon the character of the gentleman and upon the amount.

4339. If you thought him a safe customer, you would not say anything about it?—Quite so; and if we had intercourse with him upon other matters; but very few gentlemen would overdraw their accounts without first naming it; we do not find that they do so.

4340. That is not the practice of the customers of your bank?—No.

4341. What rate of interest would you charge such a man if he wished to overdraw?—We should charge the current rate of interest, which is generally about 5*l.* per cent. Not being in business he would not be entitled to the best rates.

4342. You would make a distinction between a man who was in business and a man who was not in business?—We should.

4343. Have you many customers of that kind, such as landed proprietors?—We have a great many throughout Cumberland.

4344. And few of them ever overdraw their accounts?—No; it is not customary to allow overdrawn accounts, except to parties in business; they are allowed to overdraw on making an arrangement.

4345. But it is necessary for every customer to make an arrangement if he wishes to overdraw his account?—Certainly.

4346. And then it is a special matter of

Sir *Graham Montgomery*—continued.

arrangement as to the rate of interest that he is to be charged, if he does overdraw?—Yes.

4347. With reference to the issue of 1*l.* notes, which you apprehend would be a very dangerous thing for England, do not the people of Cumberland seem to have appreciated the 1*l.* note very much?—They are forced upon them, as I have explained, by being brought across the Border; they do not accept them voluntarily.

4348. You think that they are not like the Scotch people in that respect, though they live on the Border, and that they do not like a 1*l.* note, but that they would rather have a sovereign?—Certainly.

4349. It is your opinion that the people of Cumberland prefer a sovereign to a 1*l.* note?—That is so.

Mr. *Campbell-Bannerman.*

4350. Has any complaint been made by the public in Cumberland against the establishment of the Clydesdale Bank there?—There has been no complaint publicly made, but, in conversation, complaints have been made over and over again by all parties that it is an unfair competition.

4351. Has that complaint been made by traders?—Yes.

4352. By members of the general community?—Yes.

4353. There has been no memorial presented, has there, to the Government or to Parliament upon the subject?—No.

4354. Any representations of that kind have been merely private communications to yourselves?—Yes.

4355. And you represent only the banks, and not the public?—The banks having taken it up, the public are waiting to see the issue.

4356. I understand that your objection may be put in this way: that the Scotch banks have privileges in Scotland applicable to Scotland alone under the common law of Scotland, as restricted and defined by the Act of 1845; that those are greater, in your opinion, than those confirmed to you for exercise in your district by the Act of 1844, and that you object to the Scotch banks coming, so strengthened, into Cumberland, even although they cannot exercise their privileges there; is that a fair statement of your argument?—I believe it is.

4357. Is there any indication in the legislation of 1844 and 1845 of an intention to put bankers on a footing of equality?—No; Sir Robert Peel in introducing the Act of 1845 to the House of Commons stated very distinctly that he was giving the Scotch bankers a monopoly; and he, from the beginning of his speech to the conclusion of it, treated the matter as altogether a matter for Scotland, never dreaming that the Scotch banks had any thought of coming into England. At the conclusion of his speech, I believe that he used something like these words: he said that the Scotch and Irish banks had in 1836 and 1839 caused a pressure on the Bank of England which impeded its exertions to maintain the commercial credit of the country, and he added that, if necessary, he could show that it was but just to impose upon the Scotch and Irish banks a part of the burden of being prepared to meet the demand upon their resources which might be occasioned by any sudden political panic or commercial disaster, and that such might be done without

"preventing

Mr. *Campbell-Bannerman*—continued.

"preventing them from extending any accommodation which they may now extend to the agricultural or any other interests in those countries," altogether showing that their operations were confined entirely to Scotland.

4358. That is the deduction which you draw from those words, but it is not explicitly stated?—Those are Sir Robert Peel's own words that I have quoted as nearly as may be.

4359. But in coming into Cumberland they do not bring their special Scotch privileges with them into Cumberland?—But they bring the proceeds or results of them.

4360. In other words, they may be, in consequence of the privileges which they possess in Scotland, richer than they would be without them; that is all the difference, so far as Cumberland is concerned, is it not?—Yes, we have it put on record that during the last 10 years they have 22,000,000 *l.* more of deposits, so much that Mr. Davidson, of the Bank of Scotland, said they could not now lend it all out in their own country, but that they have to come to England to lend it out.

4361. Do you consider that that is any disadvantage to England?—I think that it is an unfair and unequal competition imposed upon the English banks.

4362. You think it is unequal because they have acquired wealth in Scotland through the privileges which they have there?—The Legislature have given them power to obtain money, which power they have denied to us, and therefore it is unequal.

4363. But they obtain that money in Scotland and not in Cumberland?—But they bring it to England.

4364. The legislation of 1844, as applied to England, left very great differences between bankers, did it not?—It did.

4365. Some were left banks of issue and others banks of non-issue, and among the banks of issue there were great discrepancies in the amount of their authorised issues, were there not?—No doubt.

4366. There was no attempt then, by compensation or otherwise, to equalise bankers all over England, was there?—No; Sir Robert Peel took them as they were at that time, on an average of 13 weeks before a certain day; he fixed the limit and there it remained. He made no provision for the expansion of the trade of a district, so that its circulation could expand.

4367. All banks of issue in England are privileged banks, are they not, possessing privileges of various values?—To a certain extent, but they all compete with one another for the business of the public; it does not prevent the establishment of other banks of non-issue.

4368. I am speaking of the banks of issue?—Since the passing of the Act of 1844, there have been 42 new joint stock banks established in England, and not one in Scotland, and those 42 banks have planted 227 branches.

4369. You have given some figures as to the number of Scotch notes which have passed through your hands since 1874; do you believe that the number had been increasing previously to 1874?—Not materially.

4370. And you attribute the increase since 1874 solely to the establishment of the Clydesdale Bank in three places in Cumberland?—No doubt.

Mr. *Campbell-Bannerman*—continued.

4371. Not to a development of communications or increase of business, or any other reason of that sort?—There has been no increased communication between the two countries within the last year or two; the railways existed years ago as they now exist, but of course there is a gradual development of the business of the district going on from year to year.

4372. When questions were asked you as to the effect of the establishment of the Clydesdale Bank upon your profits, you spoke of it as a new and comparatively unknown bank, and yet you appear to think that it is very well known to all those who are contemplating bringing 1 *l.* notes into the north of England?—It is known that there is a Scotch bank in Carlisle, and that they need not fear to take the Scotch notes into Cumberland. Many of them do not know the name of the bank.

4373. This great increase of Scotch notes of which you have given us statistics, has come to your bank, has it not, and not to the Clydesdale Bank?—The Clydesdale Bank have 28,000 *l.* of it.

4374. But you spoke of your own receipt of Scotch notes as having risen so much as this year to be at the rate of about 48,000 *l.*?—That is so.

4375. Your bank has for many years existed in Carlisle, has it not?—Yes.

4376. And yet you attribute that increase to the existence of a competitor in the shape of the Clydesdale Bank?—Yes.

4377. Do you know whether there has been any special increase in the number of Clydesdale Bank notes?—I cannot speak as to that.

4378. With regard to the charges that you make, I understood you to say that you charge commissions upon current accounts?—Upon debtor balances.

4379. At what rate?—It depends altogether upon the character of the account; a quarter per cent., one-eighth per cent., or one-sixteenth per cent.

4380. At what periods are those charges made?—On the 30th of June and the 31st of December, half-yearly.

4381. On what?—On the debit side of the account; that is to say, upon the amount of cheques drawn.

4382. Do you include on the debit side of the account the debit balance brought forward from the previous half-year?—Not if it is an active account, or an operating account, as the term is in Scotland. If it is an operating account we do not charge upon the balance; but if it is a dead account, or approaching a dead or inoperative account, we charge upon the balance.

4383. Then that amounts to an extra charge upon such an account?—All commissions do, but these are exceptional matters altogether.

4384. It is, as it were, a punishment which you put upon an inoperative account?—Yes; we wish it paid off, or we wish it operated upon.

4385. So that you fine it by charging upon the previous balance as well as upon the existing balance?—Yes.

4386. And that may go on accumulating year after year?—But the bank will not allow it to stay, and the moment it becomes a dead account it is called up.

Mr. *Gordon.*

14 June 1875.

Mr. *Gordon.*

14 June 1875.

Mr. *Campbell-Bannerman*—continued.

4387. As to cheques paid out of your district, what charge do you make?—We make no charge if the cheques come through the country clearing, and all cheques come now in that way.

4388. Neither directly nor indirectly do you make a charge?—In answer to an honourable Member I stated that there was one charge of commission which embraced everything, and that there was no extra charge. Where there is an account with a commission upon it there is no extra charge.

4389. Supposing that a customer of yours in Carlisle has an overdrawn account at a certain time, and that he sends a cheque for 100*l.* to a man in York, is there no charge, direct or indirect, made to your Carlisle customer?—None whatever. The person to whom he sends it in York pays it in to his York banker; the York banker sends it to his London agents; they take it to the agents of our bank, Messrs. Barclay & Co., and they send it down to us on the same night, so that we get it on the following morning; we advise Messrs. Barclay & Co. that the cheque is in cash, and they debit our account with it.

4390. If the balance were the other way, how would it be?—There is no charge.

4391. Supposing that it is drawn on a banker who does not belong to the clearing house, what then?—We have none such in England. I think that all cheques are settled in the same way.

4392. You do not make any charge by manipulating the item of interest?—No.

4393. In the case of Scotch or Irish notes you said, I think, that you charge 3*s.* 6*d.* per cent.?—Yes, or some days' interest are deducted, because we have to keep those Scotch notes until we have a bundle of them, and a messenger has to be sent down with them; we do not send them through the post. Those are the alternative charges, either the deduction of a few days' interest, or a per-centage. It depends altogether upon the character of the account.

4394. Where do you send the messenger to?—We seize upon the nearest Scotch town, and that is Annan or Dumfries, and sometimes a large sum has gone to Edinburgh.

4395. Are the charges on drafts made whether the customer's balance is debtor or creditor?—A customer with a balance debtor upon which we charge commission would be charged nothing extra for a draft upon Glasgow or Edinburgh.

4396. But for a draft on London what is the charge?—The same.

4397. Or Ireland, or others parts of England?—They are all the same; one commission covers everything.

4398. You charge a commission, and you do not make any alteration in the item of interest in that case?—No.

4399. You charge it only by a commission?—Yes.

Mr. *Balfour.*

4400. Your theory, I think, is that the Scotch system of issue enables the Scotch banks to collect capital from the small villages, and to bring it to Cumberland, and to lend it there?—Yes.

4401. You must allow that, if that is the case, the essence of the present system is a great advantage to the people of Cumberland, though it may be a disadvantage to the banks of Cumberland, because it brings the capital from Scotland where it is not wanted, to Cumberland, where it is wanted?—But the Cumberland banker states that he lends his money, and transacts his business in Carlisle upon the English system, and not upon the Scotch system. The Scotch banker in Cumberland states that he lends his money under the English system, and not under the Scotch system.

Mr. *Balfour*—continued.

4402. But the result of the present system is that money actually does come from Scotland to England, and that the capital available for an English merchant, or an English farmer, is thereby increased?—It may be, but there is no lack of capital in Cumberland. Every bank in Cumberland has surplus cash that it is lending out in Lombard-street.

4403. Then I am unable to understand the exact advantage which the note issue gives the Scotch bank in Cumberland; if every bank in Cumberland has more capital than it can lend in Cumberland, what is the advantage which the Scotch banks derive from being able to get capital from Scotland to lend in Cumberland?—With that capital which they have obtained in that easy way, they come and compete with the Cumberland bankers.

4404. Even then the result, I suppose, must be an advantage for the Cumberland farmers and tradesmen?—But they say that they do business upon the English system.

4405. Then they are not more dangerous rivals to you than any other joint stock bank would be, which had no note issue?—Thus far they compete with Cumberland bankers with money which they have obtained at less cost than the Cumberland banker has obtained his at, and their monopoly enables them to charge us commissions.

4406. Let us assume that the Cumberland bank gets an equal privilege of note issue with the Scotch bank, that capital would equally come from Scotland to Cumberland; and I am therefore unable to see how an alteration of the system, which would put you on a level with the Scotch bank, would be of any benefit to you?—We should have an equal privilege with the Scotch banks.

4407. But you would have equally to fear their rivalry?—We do not dread equal competition at all.

4408. But if they lend their money upon exactly the same terms as you lend your money, the competition is equal now?—They get their money upon easier terms than we get it, simply by opening branches in small towns, and stocking their tills with their own notes, which cost them very little.

4409. Do you mean that they pay less to their depositors?—They may pay less, but that is not what I mean; their branches cost them less than an English bank's branches cost it. For instance, an English banker, when he opens a branch, has to stock his till with Bank of England notes and gold, for which he has to pay, and there is a loss of interest upon the establishment of that branch to begin with.

Mr. *William Shaw.*

4410. Are all the banks in Cumberland banks of issue?—There is one private bank in Carlisle, but all the joint stock banks are banks of issue.

4411. And your notes circulate freely in Cumberland, I suppose?—They do.

4412. But

Mr. *William Shaw*—continued.

4412. But not much outside?—No.

4413. You have not a circulation enough for your business?—We have not.

4414. Do you use Bank of England notes as well?—We get down large quantities of Bank of England notes continually from London, by post.

4415. So that your issue is of no practical use to you in extending your business?—Not at all.

4416. And in that way you think that you are unequally weighted as compared with the Scotch banks?—Yes.

4417. There are five joint stock banks, I believe, in Cumberland?—That is so.

4418. And they have all of them boards of directors and secretaries?—And managers.

4419. Do you think that that is a good system, on the whole?—It has worked well for the country; those banks have developed the resources of the country very much.

4420. Your objection to 1 *l.* notes is, I suppose, chiefly that if they were issued by all these small English banks it would inevitably intensify a panic if such a thing occurred?—That is so.

4421. Would the same objection apply if the banks of issue were large banks, with very large paid-up capital, like the Scotch banks, or like the Bank of Ireland?—I cannot say. Scotland has grown with it, but if you thrust a new-made system upon England it will not do.

4422. If the Bank of England issued 1 *l.* notes, do you think that there would be any difficulty in time of panic?—I think there would, even with the Bank of England.

4423. Did you find during the late panics that there was a demand for gold in exchange for Bank of England notes to any great extent?—I may state our own case. In 1866 I had occasion to suspect that there might be a run upon our bank by the depositors in consequence of the family connection of one of our directors with one of Messrs. Gurney, so that I provided gold and Bank of England notes for all the depositors of the bank, on a certain fair day which immediately ensued after the collapse of Overends. Very few people indeed presented their receipts, not amounting probably to 500 *l.*, but those who did present their receipts would not take Bank of England notes; they would take either our own notes or gold.

4424. What class of the community was that?—The poorer class.

4425. Did the notes come in again very quickly to you?—Yes. We could not issue many of our own notes; we issued gold.

4426. As a matter of fact, you find it a very rare thing to have a demand for gold as against Bank of England notes; that is to say, Bank of England notes presented for gold?—We do not find that, but they prefer to take our own notes, or Bank of England notes with our stamp upon them. If they take Bank of England notes they like them to have our stamp. We stamp them all.

4427. You would like to increase your issue, of course?—We should.

4428. Should you have any objection to lodge securities for any increased issue?—None whatever.

Mr. *Campbell-Bannerman.*

4429. The stamp does not alter your responsibility at all, does it?—Not in the slightest.

Mr. *Campbell-Bannerman*—continued.

4430. And you cannot tell whose hands the note may have gone through afterwards?—We get the notes direct from London and stamp them, and if the country people see the local bank stamp upon the note, they know it will be all right. They are, in fact, afraid of forgeries.

Mr. *Leveson Gower.*

4431. Would a branch in London be of any advantage to your bank?—None whatever; it would be a great disadvantage. We get our business done much more satisfactorily through our London agents than we could do it ourselves.

4432. Would you say the same with regard to the other Cumberland banks?—Certainly.

4433. Then your not being allowed to have a branch in London is no hardship to you?—None whatever.

4434. With regard to the question of unfair competition by the Scotch banks, supposing that a Scotch banking company established a large shipbuilding concern in the north of England, would not the other shipbuilders have exactly the same grounds for objecting to their competition as shipbuilders as you have for objecting to their competition as bankers?—I think not; the cases are not analogous.

4435. Supposing that a banker, with the capital which he derives from the favour of the Government, started a shipbuilding concern in London, would not the other shipbuilders object as much to such competition as you object to Scotch banks coming to compete with you?—I cannot understand a banking company establishing themselves in Cumberland and starting a shipbuilding yard.

4436. Might not the other shipbuilders say, "We object to be competed with by you who derive your capital from the favour of the Government," using exactly the same language as you do?—I think that the depositors of that bank would have more reason to complain if they saw the bank going into shipbuilding.

4437. But the other shipbuilders might say, might they not, "Here is unfair competition; here is competition derived from capital which is obtained by the favour of the Government"?—I think that that is very unlikely to occur.

4438. Is it not the case that your objection to the capital of the Scotch banks being employed in England would apply to whatever way that capital is employed?—Our objection is this: The Legislature deals out a different measure to the two parties. That is the sole basis of our objection; we say that you loosen the hands of the Scotch banks; you let them issue notes to any extent they like; you tie our hands, and yet you are going to allow them to come into competition with us.

4439. But they do not do so in England?—They come with the proceeds or results of that open-handed circulation.

4440. So they would as shipbuilders?—I do not follow the shipbuilding concern.

Sir *John Lubbock.*

4441. Do you not think that the shipbuilders of the Tyne would complain if the Government gave great advantages to the shipbuilders of Glasgow?—No doubt the English shipbuilders would complain.

Mr. *Gordon.*

14 June 1875.

Mr. *Kavanagh.*

4442. You are authorised, I think, to speak for the five Cumberland banks?—I am.

4443. Do you contend that they have any right to come to London?—The law prohibits our coming to London.

4444. You say that you are desirous of acquiring the privileges which the Scotch banks possess of issuing notes against gold; in whose interest would that be?—It would be to the profit of the bank, and to the interests of the public. In our remote branches, which are, perhaps, 30 or 40 miles from Carlisle, they may run short of Bank of England notes in any one day, and if we had not our own notes to fall back upon, we should then be forced, in cashing cheques, to pay gold to the customer to his great inconvenience. They do not like to take large parcels of gold, and in that way our having the privilege of issuing notes is a convenience to the public.

4445. But in one of your answers (No. 3956) you say that you think that Cumberland is quite sufficiently banked?—Yes.

4446. You also say that your circulation does not come up to your authorised issue?—It does not; we dare not come up to the limit.

4447. You dare not issue so much as you are allowed to issue by law?—That is the practical result; we cannot enjoy it. So great is the penalty for overstepping it, that having so many branches we must always keep about 1,000 *l.* within the mark for fear of going beyond it.

4448. Then your argument is this: that getting this privilege of issuing notes against gold would allow you to go up to your authorised issue?—That is so.

Mr. *Backhouse.*

4449. Your issue is taken on a daily average, is it not?—Yes.

4450. And the Scotch issue is taken on a weekly average, is it not?—Yes.

4451. Does not that give them a much greater facility for going over their authorised issue than you have?—It does.

4452. Do you ever make any charge for cheques drawn upon any of your branches?—Never; any cheque presented at Carlisle, drawn upon any town where we have a branch, is paid without charge.

4453. On cheques sent to you for payment in London from other banks in England, do you ever make any charge?—No; the cheques chiefly come through the clearing-house; we only get our own cheques; we do not make a charge.

4454. In reference to the amount of gold and Bank of England notes that you hold, do you hold a much larger amount than the total amount of your notes in circulation?—I should say that we hold generally about twice the amount of our circulation in gold and Bank of England notes.

4455. That amount of gold you hold with reference to the purposes of your banking business, and not with reference to the amount of your circulation?—That is so.

4456. You consider, do you not, that Cumberland has every banking facility that it requires?—It has.

4457. By the statistics which you have put in, I see that there are 18,280 accounts in the five banks in Cumberland, of which 11,000 are under 100*l.*?—Yes.

Mr. *Backhouse*—continued.

4458. The population of Cumberland is 220,000, is it not?—It is.

4459. And you are quite sure that there are no duplicate accounts in that number?—I gave orders in making out this return to treat any man who had more than one deposit receipt as one depositor, and his aggregate amount as one deposit.

4460. Then according to that, one individual out of every 13 men, women, and children in Cumberland has a banking account?—Yes.

Mr. *William Shaw.*

4461. Those are deposit accounts, I suppose?—Yes; and credit balances in the same way as the Scotch gentlemen made theirs up.

Mr. *Backhouse.*

4462. If that is the case the people in Cumberland seem to make pretty general use of the banking facilities already afforded to them?—Yes.

4463. You charge and allow the same rates, do you not, in all your Cumberland branches, whether you have the opposition of the Clydesdale Bank in any of them or not?—Yes, we make no difference.

4464. You charge on ordinary acceptances from your customers payable in London, I suppose?—When there is a commission upon the account we make no extra charge.

4465. And in many of the large accounts a considerable part of the turnover is acceptances in London, is it not?—Yes.

4466. The Scotch banks also, I think, charge a commission upon acceptances payable in London?—I understand that they do.

4467. And therefore, in the absolute result of what the public pay, it makes very little difference, I take it, whether you charge a quarter per cent. on acceptances payable in London, or one-eighth per cent. on the whole turnover of the account?—Just so. In the one case it is lumped at the end of the half year, while the Scotch custom is to charge it as the transaction takes place.

4468. You stated that you take brokers' bills and bills from other bankers at a lower rate than you discount for your own customers, I think?—Yes.

4469. The reason for that is, is it not, that in the one case you can call in the money whenever you like, and in the other case you feel bound to give the same accommodation to the customers at all times?—Yes.

4470. And therefore, the money being more at your disposal, it answers to lend it at a lower rate?—Yes, it is treated almost like money at call.

4471. The general profit of the business is dependent upon many circumstances, is it not, both upon the amount of deposits which you have, and upon the value of money in each year?—Yes.

4472. And that will vary your rate of profit very considerably, will it not, without there being much difference in the amount of business done?—Yes.

4473. Is there not an advantage in the small banks in England having local management, and, therefore, having more local knowledge of the parties with whom they deal; are they not by that means able to afford more local accommodation?—

Mr. *Backhouse*—continued.

tion?—I think that they are, and that there is a great advantage in that. It is the interest of the local banker to foster and develop the trade of his district. If Carlisle were merely a branch bank, the chief office being in London, the trade and resources of the district would not be so well known in London as they are to the directors and managers of the local banks.

4474. I think you stated in answer to an honourable Member, that you charge 5 per cent. upon overdrawn accounts?—We do; it varies.

4475. Have not all overdrawn accounts of that description the privilege of paying off the money at any time without notice?—They have.

4476. And therefore it is worth more to the parties borrowing to pay a higher rate with the power of paying off at any time?—No doubt that is so, and we only charge on the daily balance.

4477. I think on Thursday you said that your bank exchange Scotch notes without charge for your customers?—We take them from our customers.

4478. Do you give Bank of England notes and gold in exchange without charge, if asked for?—Yes.

4479. Then if the Scotch banks were regularly established in Cumberland, would the English banks, to enable them to compete successfully with them, find it necessary to treat all Scotch notes as cash payments?—It would virtually come to that.

4480. If that was the course of business, would it not tend to increase, very considerably, the amount of Scotch notes circulating in Cumberland?—No doubt of it.

Mr. *Anderson.*

4481. Did you not say just now that you made no charge for Scotch notes to your customers; was not that limited to debtor balances?—To debtor balances.

4482. Perhaps you had better correct your answer to the question of the honourable Member for Darlington, which was not so limited?—The answer that I gave to you was the correct one. Where accounts have debtor balances, and Scotch notes are paid into credit, there is no charge.

Mr. *Backhouse.*

4483. But if a customer of yours brought you 20 *l.* worth of Scotch notes and said, "I want cash for these, I am going away," would you exchange them without charge?—If it did not pass through his account we should make no charge. It is impossible to charge a commission upon a 1 *l.* note; we find that, I think, from the evidence of Mr. Readman, of the Clydesdale Bank, who said he could not charge commission upon a 1 *l.* note.

4484. With regard to competition, I take it that you are not at all afraid of competition from any bank on the same footing with yourselves?—Certainly not.

4485. But you think that banks having special legislative privileges in one country ought not to compete in another country with banks not having special legislative privileges?—That is my view.

Mr. *Sampson Lloyd.*

4486. You were asked as to the charge made to landed proprietors on over-drafts, and you have already answered that you would let them pay off at any time, and that, therefore, it is a greater advantage to pay 5 per cent. with such liberty than to pay 4 per cent. upon a mortgage where you have to give six months' notice, and to pay law charges; is there not a further advantage to the landed proprietor so borrowing, that if, during part of the half year he had a credit balance, and at another part of the half-year he had a debit balance, you would allow him to set one off against the other before you made any charge?—We should not allow a set-off at the same rate; we should allow a per-centage upon the credit balance, and charge him upon the debtor balance.

Mr. *Sampson Lloyd*—continued.

4487. With regard to the question of changing Scotch notes without charge, you have stated that you do not make any extra charge upon such notes as are put to the credit of a debit account; does it not simply amount to this: that you take Scotch notes like any other credit paper, such as a cheque or a bill, and you put it simply to the man's credit, whether he has a credit balance or a debit balance?—Yes.

4488. But in the case of a man having a large credit balance upon which you make no charge, you would take 10 days' time in the calculation?—Yes.

4489. And that 10 days' time is not a profit to the banker?—None whatever.

4490. But it is merely an average of the time during which you have held those notes before you get them collected?—Quite so.

4491. You were asked whether the Scotch banks charge a uniform rate on all paper; is it likely that any bank would charge a uniform rate on all paper?—I cannot understand their doing so.

4492. Is there not a difference not merely in the risk of certain sorts of paper but in their negotiability?—Certainly.

4493. For instance, supposing that you were very much pressed, and had to re-discount your bills (though you would probably not have to do it), if you had first-class bills, such as acceptances of the London and Westminister Bank, you could negotiate them at almost any period, even on a Black Friday, whereas unquestionably safe bills of 10 *l.*, 20 *l.*, or 50 *l.* at three or four months not being so well known, you could not raise a farthing upon them?—We could not.

4494. Does not that justify any bank in charging a larger discount rate on paper of the latter character as compared with the former?—That is the cause of the charge.

4495. As regards the calculation which has been put in of the comparative rates of profit which particular banks derive from the public taken as a per-centage on their deposits, would not the expenses incurred by banks conducted upon different systems make a very important difference to that calculation?—No doubt.

4496. I understand that the expenses incurred are deducted before that proportion of profit is calculated?—Yes.

4497. In order to arrive at what is published in the statement as profit, the expenses are first deducted, are they not?—Yes.

4498. If I take two banks, each making in gross charge 2 per cent. upon the money that it has to employ, the one doing it all at one head office, and the other having 50 branches to maintain,

Mr. *Gordon.*

14 June 1875.

Mr. *Sampson Lloyd*—continued.

maintain, would it not make a vast difference in the proportion of profit in favour of the former bank as compared with the latter?—No doubt it would.

4499. And therefore a bank with a great many branches, however beneficial it may be to the public and to the country, and however advantageous it may be in many other ways, must incur more such expenses than a bank with only one head office?—Yes.

4500. Therefore is such a return worth anything as a matter of correct statistics, without taking that item into account?—It cannot be reliable without you do so.

4501. I presume you would consider that the Scotch banks can work their branches cheaper as regards the employment of capital, because they use their own notes instead of gold; but in the item of expenses out of pocket, the many-branch system is much more expensive than the one-branch system, is it not?—That is so.

Mr. *Hussey Vivian.*

4502. Are your deposits generally at call or at any notice?—The amount at notice is within 10,000 *l.*

4503. Then they are generally at call?—You may say that they are all at call.

4504. Are they payable on demand over the counter?—Yes; I should say, however, that the receipt given for the deposits states that it is on so many days' notice, at the option of the bank.

4505. Then they are at notice?—The receipts of all the Cumberland banks state that, and they have done so for a long time, but it has never been exercised even in a time of panic.

4506. What number of days' notice is customary and stipulated for?—There is no customary period; it is treated as a dead letter; it has never been exercised.

4507. But still, if it appears upon the face of the deposit receipt, what is the length of notice stipulated for?—So little have we ever thought of it that I cannot answer the question; it has never been acted upon.

4508. I think you have not stated the amount of gold and Bank of England notes held by the five Cumberland banks; can you state that?—I was asked the question on Thursday, but I have mislaid the paper with reference to the other banks, and I could not answer it; but I may state that it is not less than 150,000 *l.*; our own bank held 62,440 *l.* on an average throughout the whole year.

4509. And the total liabilities of your bank are how much?—Deposits 1,800,000 *l.*, but we had, on the 31st of December, 89,400 *l.* in cash and bank notes, and 400,000 *l.* at call in London.

4510. With the Bank of England, or bearing interest?—With Messrs. Barclays, and in securities which could be turned into cash at once; in Consols, for instance, debenture stocks, and Exchequer bills, without reckoning the discount of any one of the London bills which we hold. During the year 1874 we held on the average throughout the year 62,000 *l.*, but on the 31st of December it was 89,400 *l.* in gold and Bank of England notes; in addition to that we hold money at call and at short notice, and securities which could be turned into money at once, to the extent of about 400,000 *l.*; so that we have half a million of money.

Mr. *Hussey Vivian*—continued.

4511. What was the amount of bills discounted by your bank at that time?—It is not a separate item, but I think there would be about 250,000 *l.* of London bills, and, of course, we have also a large number of country bills.

4512. In answer to Question 4007, you said, "My objection is solely that they (the Scotch banks) come to Cumberland with money which they have raised by a process which Parliament has allowed to them, but denied to us"; they have a specific advantage, which has been given in evidence as equal to about 160,000 *l.* a year, and they start with that in hand, do they not, besides the facilities which the issue of their notes gives them of keeping their tills supplied in their small branches?—Yes.

4513. That 160,000 *l.* is about equal to 1·7 per cent. upon the capital of the Scotch banks; consequently they might be making a profit of 1·7 per cent. upon their capital, while you were making nothing in competition with them?—Just so.

4514. That, therefore, is in addition, is it not, to your statement in answer to Question 4007?—No doubt it is.

Chairman.

4515. Are your notes made payable at the branches, or only at the head office?—Only at the head office.

4516. Is that by law, or only by practice?—By practice; we are at perfect liberty to date them at the branches if we like.

Mr. *Beckett Denison.*

4517. Will you explain to the Committee in what the minimum cost of one of the smallest of your branches would consist?—We should have at once to impound a certain amount of money; and taking 2,000 *l.* at 2 per cent. you start with 40 *l.* a year at once; and you have rent, and taxes, and agent's salary, which probably would run away with 150 *l.*

4518. You state that as about the lowest charge?—Yes.

4519. Does that contemplate the employment of one person giving his whole time?—Of one person, probably the postmaster, or some tradesman of a cleanly occupation, such as a stationer, or something of that sort, who gives one side of his shop to it; this is the smallest description of branches.

4520. I was about to ask you whether in any of the Cumberland branches you have a system of employing some one who has another profession?—Yes; in two cases we have fitted up the post office, and the postmasters attend to both the post office and the bank; they are under the same roof, with doors between them.

4521. And that is for the whole system, just the same as any other branch, and not merely for the receipt of deposits?—It is for every description of business.

Mr. *Anderson.*

4522. Have you a license to pay?—We pay licenses for those branches where we issue unstamped paper.

4523. Do you pay a new license on every new branch?—No.

4524. You must not use your notes in circulation at all at that branch?—They may be issued mixed

Mr. *Anderson*—continued.

mixed with other notes. We pay 180 *l.* for licenses for various branches, at some of which we do not issue notes at all.

4525. But you may issue notes at your branches as mixed notes, even though you pay no license?—Yes.

4526. That is tantamount to issuing your notes, is it not?—I do not know that it is; they are not dated at the branch.

4527. It is only upon a branch at which notes are dated that you have to pay a license?—Yes, that is the custom in England.

4528. But you can issue notes at a branch where they are not dated without paying a license?—Yes, any description of notes; Scotch notes or Westmoreland notes.

Mr. *Beckett Denison.*

4529. Then are the Committee to understand that whether you employ part of a postmaster, or whether you employ an agent wholly, the minimum cost of one of your branches would be about 150 *l.* per annum?—Adding the interest upon the money, it would bring it up to about 200 *l.*

Sir *Graham Montgomery.*

4530. But that sort of agent would not be allowed to discount a bill upon his own responsibility, would he?—No, he would communicate with the head office. We keep duplicate books at the head office, so that we can tell the state of any account at any time.

Mr. *Beckett Denison.*

4531. Are all your branches either in telegraphic communication, or in railway communication, with the head office?—They are.

4532. I think you have told the Committee that you occasionally re-issue the notes of Scotch banks, if no objection is made to take them?—We do not offer them; but it sometimes happens that parties going to Scotland come, and for their own convenience (not for ours) ask, "Will you let me have some Scotch notes, if you have any to-day? I am going to Scotland, I will take them."

4533. Would not that bring you within the penalty of the law?—I cannot tell.

Sir *John Lubbock.*

4534. You do not re-issue them over the counter; but you give them to a person going to Scotland, just as you would give French money to a person going to France?—Just so.

Mr. *Campbell-Bannerman.*

4535. You do not accompany him to the frontier, do you?—No. I think, seeing that they have come in a surreptitious and illegal manner across the Border, the sooner they go back again the better.

Mr. *Beckett Denison.*

4536. What is your system of interchange of notes between bankers in Cumberland?—There is a daily exchange.

4537. Are there any other trading companies, or solicitors, or others, who compete with you for deposits in Cumberland, either at a fixed rate or on short notice?—No, not that I am aware of.

Sir *John Lubbock.*

4538. The honourable Member for Dumbarton has asked you a number of questions with reference to some pre-historic failures of banks in England; I do not wish to go back too far, but in the panic of 1857 I think the Western Bank of Scotland stopped payment?—It did.

4539. I think you mentioned another bank which stopped payment upon that occasion?—Yes.

4540. That is two out of 11 Scotch banks?—Yes.

4541. We had no such disastrous state of things in England upon that occasion, had we?—I think not.

4542. One of the restrictions imposed upon the English banks of issue is, that they shall not have branches in London. When Sir Robert Peel mentioned the advantages which he had given to the Scotch banks he did not allude to any right of coming to London; it is reasonable, is it not, to conclude that if he had intended to give Scotch banks of issue any such privilege over English banks of issue, he would have alluded to it on that occasion?—There is no doubt that he would, I should say.

4543. As regards the circulation of 1 *l.* notes in Scotland, does not the security of that system depend greatly upon the large reserves of gold which are held in England?—Altogether, I should say.

4544. In fact, you agree with Sir Robert Peel that the security of the Scotch system rests upon the security of the gold which is held in England?—Yes, that is so.

4545. And therefore, although it may be quite safe in Scotland, there may be a reason for not introducing the same system into England?—Certainly.

4546. I believe there are more than 370 banks in England as against 11 in Scotland?—Yes.

4547. Therefore, in proportion to our population, we have five times as many banks as Scotland has?—That is so.

4548. And as competition does not take place between branches of the same bank, but between different banks, we have far more competition in England than they have in Scotland, have we not?—Yes, there is real competition in England.

4549. I think I understood you to say that you collect cheques drawn upon bankers in any part of England, through the country clearing?—We do.

4550. And those cheques are all paid in full, without any charge for commission?—That is so.

4551. In fact, the keen competition amongst English banks prevents any such charge for commission being made, does it not?—That is so.

4552. In Scotland, on the contrary, the 11 banks agree among themselves upon their charges?—Yes, as one bank.

4553. They have stated that their charge for paying cheques upon themselves, drawn in London, is 2 *s.* per cent. up to 600 *l.*, and 1 *s.* per cent. beyond; it is their monopoly which practically enables them to make that charge, is it not?—That is so.

4554. And it is practically impossible for you, is it not, in consequence of the monopoly given to the Scotch banks by their legislative advantages, to meet that charge by opening branches in Scotland?—We could not do so.

4555. Supposing that Parliament gave to 11

Mr. *Gordon.*

14 June 1875.

Mr. *Gordon.*

14 June 1875.

Sir *John Lubbock*—continued.

firms carrying on any other large business, such as distilling, a practical monopoly, of course by reducing their expenses they might be able for a time to lower their prices, might they not?—Yes.

4556. Of course it is possible to conduct business on a large scale more profitably than on a small scale?—Yes.

4557. Would you not consider that the whole system of commerce would tend to show that such monopoly, in the long-run, would be contrary to the public interest?—Certainly.

4558. I think that there is no circulation of gold in Scotland to any extent, is there?—Practically there is none.

4559. What amount is generally estimated as the circulation of gold in England?—From 110,000,000 *l.* to 130,000,000 *l.*

4560. I presume that you fully concur with the Scotch and Irish witnesses as to the great advantage and importance of a circulation of 1 *l.* notes to a country?—I do.

4561. A metallic circulation of course involves a very heavy loss of interest, does it not?—It does.

4562. At the same time a large store of gold is very important, is it not, in mitigating the effects of a bad harvest, in controlling the exchanges, and in giving stability to commerce?—No doubt.

Sir *John Lubbock*—continued.

4563. On the whole, you consider that these advantages of a gold circulation outweigh the advantages of a 1 *l.* note circulation?—We do.

4564. But at the present time the English bear all the burden of the gold circulation, and Scotland gets all the advantages of a 1 *l.* note circulation?—That is so, as it is at present.

4565. Your argument is, that that is unfair to this country, and that the evil would be aggravated if the Scotch banks, which have these advantages, were allowed to come in and compete with the English banks who do not possess those advantages?—That is my argument.

Mr. *Anderson.*

4566. Do you consider it a great hardship that you are not allowed to amalgamate without losing your circulation?—I have never considered that point.

4567. You could strengthen your position, could you not, by amalgamating with other banks if you were not obliged to lose your circulation in doing it?—It is possible; but I maintain that moderately sized local banks are preferable to large institutions with their head quarters far removed from the branches.

4568. Do you think that they can work as cheaply?—The local banks can work much more cheaply.

Mr. Frederic Seebohm, called in; and Examined.

Mr. *Seebohm.*

Chairman.

4569. With what Bank are you connected?—Sharples & Company, Hitchin.

4570. Are you the manager of the bank?—I am one of the partners.

4571. That is a private bank, is it not?—It is a private bank.

4572. Is it an issuing bank?—It is.

4573. What is the authorised amount of issue?—About 38,000 *l.*

Mr. *Backhouse.*

4574. Before you joined the bank, I think you had been called to the bar?—Yes.

4575. You have been for some years a partner in the bank, have you not?—From 13 to 15 years.

4576. I think you have been asked by an association of issuing bankers to give evidence here in case the Committee wish to hear the evidence of the issuing bankers?—Yes.

4577. You desire to give evidence on the advantages and convenience to the public of local issues, do you not?—That was the point.

4578. In what do you consider that these advantages consist?—The three great advantages which we think our local notes are to the public, are their ready exchangeability, their freedom from risk of forgery, and the facilities which they give to small transactions, and the beginnings of trade.

4579. How is the ready exchangeability of local notes an advantage?—They afford a currency which is locally exchangeable in all parts of England where they exist without charge to the holder; and that is not confined to the towns where there are banks, but is extended to villages throughout most of the districts of England.

Mr. *Backhouse*—continued.

4580. How many local centres of issue are there?—One hundred and sixty-seven.

4581. How many banks or agencies are there connected with them?—There are between 800 and 900 offices where notes can be exchanged as a matter of business, without counting sub-agencies, which are not branches, but at which there are arrangements with persons in another line of trade.

4582. In the villages where there are no branch banks, are the local notes readily exchangeable?—In the villages where there are no branch banks, the notes are practically exchangeable without charge, because the persons who change them can get them readily exchanged at the market town which they frequent.

4583. Are the local notes liked in rural districts and much appreciated in the towns?—They are, because of their ready exchangeability, and they are used very much by persons requiring change for retail trade and the payment of wages.

4584. The local issues extend nearly all over England; but in the districts where there are branch banks of the Bank of England, are there as many local notes issued as in other parts?—No; I have taken a map of England, which I have before me, and I have marked upon it in red ink all the branches of the banks of issue, and I find that practically the only gaps of any extent are those round the branches of the Bank of England.

4585. Will you mention some of the districts in England where there are no local issues whatever?—There are no local issues in Northumberland, where there is a branch bank of the Bank of England at Newcastle. There is a large district

Mr. *Backhouse*—continued.

trict in the South of Lancashire where there is no local issue, and where there are branch banks of the Bank of England at Liverpool and Manchester. Then again there is a small district round Portsmouth where there are no banks of issue, although there is one as near as Southampton.

4586. Do you find that no issue which is not a local issue can be made readily exchangeable?—I do not see how any issue which is not a local issue can be made locally exchangeable without great cost to somebody. The local issue is exchangeable in the locality where the notes are issued because there is a banker in that locality who is bound to pay them.

4587. Why cannot Bank of England notes be made exchangeable equally readily?—The Bank of England note cannot be made readily exchangeable at any one of its branches for the simple reason that the branch banks do not pay the notes issued by any other branch of the Bank of England. For instance, the Liverpool branch of the Bank of England would consistently refuse to pay without charge the notes of the Manchester branch. And this seems to be almost inevitable, because it is impossible that there should be held at the Manchester branch a sufficient amount of coin and legal tender, to exchange all the notes that might be brought to it, if not only the notes issued in Manchester, but those issued at all the other branches were payable there.

4588. If the number of branches from the Bank of England were increased they would be still obliged, would they not, to confine themselves to the local notes of their own branches?—The question of whether the difficulty would be obviated by the establishment of numerous branches of the Bank of England is, I think, answered by two points: That in the first place it is impossible to limit the circulation of notes which are part of a single issue, and which are a legal tender everywhere to the district where they are issued. For instance, that part of the issue of the Bank of England which, at the present moment, is in the hands of the public at Manchester, will not be, at all, solely Manchester notes, but will comprehend Liverpool notes and notes issued in London. And so again, the issue which would be in the hands of the public in Hertfordshire, or anywhere else, will be notes issued at Manchester, Liverpool, or any of the branches indiscriminately; so that a note issue which is part of a single issue, cannot be kept local in the same way as if it be really a local issue. Then there is another reason why the notes of the Bank of England could not be made as readily exchangeable, even though there were branch banks of the Bank of England everywhere; and that is, that there would be no profit on holding a sufficient amount of coin to make them exchangeable, inasmuch as any further issue of the Bank of England being against gold, and the State taking all the profit which may arise from any further issue, there is no profit to cover the expense of making the notes exchangeable at a great number of places.

4589. Are not the Scotch issues national issues, rather than local issues, being payable only at the head office of the banks; and are they not as readily exchangeable in the provinces of Scotland, as English local notes

Mr. *Backhouse*—continued.

are in England?—It is quite true that they are, to that extent, a national issue, and that they are as readily exchangeable as English notes are in the provinces. But there are three reasons for this, which would not apply to an increased issue of the Bank of England. In the first place, there are branch banks in Scotland, practically, everywhere. In the next place, though the larger notes are readily exchangeable, it is not into coin, but into 1 *l.* notes, which, in their turn, seldom require to be exchanged; so that the amount of gold kept for the purpose of exchanging the notes is very small, 1 *l.* notes being, practically, as convenient as gold. The third point is, that the notes not being considered as issued while they are in the tills of the bank, there is no loss of interest upon them while held in reserve, as there would be to the Bank of England on the amount of gold which it would have to hold at its branches to make its notes convertible.

4590. If the Bank of England were to issue 1 *l.* notes, would they not be able to give the same facilities?—I think not, because those 1 *l.* notes would probably be issued against gold; and from the system of keeping the Bank of England accounts, and not allowing the amount which is held in reserve, to be held without loss of interest, the 1 *l.* notes which were held in the branches would be just as costly to keep as sovereigns.

4591. Have you anything more to say upon the exchangeability of the notes?—I think it is obvious that it is a practical convenience to provincial trade that there should be a currency which is readily exchangeable; and that unless some other great public advantage were to arise from its abolition it would be, at all events, a doubtful policy to substitute in its place an issue which was not so readily exchangeable.

4592. The second point which you mentioned was the freedom of local notes from risk of forgery; will you explain that?—The question of the freedom of local notes from risk of forgery is one which is made a great deal of in almost all the country districts of England. It may not be felt largely in the large towns, but it certainly is made a great deal of in the country villages. The freedom of the local note from the risk of forgery is readily explained by the fact that its genuineness can at once be determined by presenting it at the issuing bank. Again, supposing that a forgery was contemplated on a bank of issue if it were on a local issue the forged notes would have to be circulated in the very district where they would be most easily detected; many days could hardly pass before a forged note would find its way to the local bank, and the public would be made aware that a forgery had been committed; but with a single issue that does not apply, because the forged note would probably be circulated in an outlying part most distant from the office where the forgery would be readily detected. That is well known by the public, and the constant practice of the public in the agricultural districts is that, whilst they will take a local note without much scrutiny and without taking its number, they will always take the number of a Bank of England note, and frequently write the name of the last holder upon the back of it.

4593. Do you think that the risk of forgery would be increased if the denomination of the notes was lower?—I should think that a 1 *l.* note

Mr. *Seebohm.*

14 June 1875.

Mr. *Backhouse*—continued.

issue would be more liable to forgery than a higher issue.

4594. What is your third point?—The third point was the facilities which the local notes give to small transactions which form the beginnings of trade. It will be, perhaps, most easily explained by giving a few practical instances. I have taken the case of my own county, and I have put down four instances out of many that might be brought forward as showing how the local issue works in facilitating the small transactions of country markets in Hertfordshire and Bedfordshire. Small plait dealers buy plait from country people in the villages or country markets, paying cash for it, and they will sell it to the wholesale plait dealers or manufacturers, who pay them in cheques; though not having banking accounts they are able to bring these cheques to the issuing banker, who gives his notes in exchange without charge; before the next market day the dealers bring the notes to the bank for change into cash, often including several 5 *l.* packets of silver, and with this they make fresh purchases, and so on from week to week; that is an instance of the way in which the smaller transactions of banking are carried on for the public without charge by means of the issue of local notes; if there were no local issue we should have to charge a commission upon all those cheques. The same thing applies to small farmers, stock dealers, and butchers, and others in the villages who, having no banking accounts, send, in the course of their trade, little lots of live stock or meat for sale by the meat salesmen in Smithfield market, and those London salesmen send down their cheques on London banks in payment; these again are cashed by the country banker for the holder of them without charge with country notes. The same applies to poultry dealers who send up poultry and eggs to London; and market gardeners are another class in my own district who send their produce to distant markets, even as far as Manchester, receiving cheques on Manchester banks in payment, which cheques are brought to the bank and cashed without charge for them though they are not customers.

4595. Small shopkeepers in many of the English villages keep a certain amount of cash with which they accommodate the customers of banks by paying their cheques, do they not?—Yes. The beginning of the business of banking in the little villages is by some shopkeeper, perhaps the chief shopkeeper in the village, exchanging almost anything that comes into the village, whether cheques on our banks or bank notes, for whatever cash he has in his till; he does it without charge, knowing that he can take all those cheques to the issuing bank in the next town, and have them exchanged without charge again for local notes, with which local notes he makes his purchases.

4596. To what extent do you yourselves give these facilities of cashing cheques on other banks without charge?—I took out the particulars of one of our banks, the bank in Hitchin, Hitchin having from 8,000 to 9,000 inhabitants; and I found that taking the average of the last four months as a criterion for the whole year, the number of cheques that on market days alone we cash at our Hitchin branch without any charge is somewhere about 3,000 per annum.

Mr. *Orr Ewing.*

4597. What is the amount in money?—I cannot give the amount; they are mixed up with other transactions, and it would involve considerable labour to get at the amount.

Mr. *Backhouse.*

4598. Does this practice extend to other districts as well as your own?—It extends with certain exceptions to all those districts in England where the issues, being considerably within the authorised issues, are available for the purpose. It will readily be seen that where the issue of a bank is up to its limit, and there is considerable difficulty in keeping it within its limit, those facilities would be the first to be left off. If you draw a line across England by about Lincoln, you may say that, with a few exceptions, it applies to the whole district south of that, those exceptions being partially the eastern counties of Norfolk and Suffolk, and a district in Leicestershire, where there is a branch of the Bank of England, and a district round Birmingham, where there is also a branch of the Bank of England; and Wales, and Cornwall, and parts of Devonshire, and a small district round Portsmouth. With those exceptions it applies to almost the whole of the agricultural districts in the southern and midland counties.

4599. What do you consider would on the whole be the disadvantage to the public in the transfer of your issues to the Bank of England?—I think that it would impede the currency of cheques in the country markets; that it would tend to make more difficult the first transactions of business in the country markets; and, in fact, that it would be practically a tax upon the small transactions of those persons who, from whatever cause, whether from their want of education or from the smallness of their transactions, do not think it worth while to keep banking accounts.

4600. It would impose a new tax upon those parties, and, you think, cause some discontent?—It would cause a great deal of discontent so far as it extends; I do not know that in these matters it would be felt very much by the larger dealers and merchants of the country, but it would be felt very much indeed by the smaller ones.

4601. Then, your reasons for wishing to retain the present system of issue which is enjoyed by the banks in England is, that their notes are readily exchangeable even in the rural districts, that they are not easily forged, and that they free small transactions from charge?—Yes.

4602. And you think that in the case of any change of our system of issue the notes would not be so readily exchangeable, that they would be more easily forged, and that they would not afford the same facilities to small transactions?—Those are the chief points.

4603. It would not affect the large traders so much as the small ones, you think?—It would not affect the large traders; but I think that anyone who went into the history of country banking would see the importance of not discouraging the small transactions. We find that in banking, practically speaking, it is the small transactions which grow into the large ones, and that the man who begins without having a banking account, and keeping a little roll of notes in his pocket, finds that the most convenient way of begining his commercial transactions; and that out of that when he has grown a little larger, there comes the

Mr. *Backhouse*—continued.

the banking account when he brings his balance and holds his money in the shape of a notes, with the bank, instead of in the shape of notes.

4604. Can you state what would be the gain to the State if the whole of the existing note issues were absorbed in that of the Bank of England under the provisions of the Act of 1844, with regard to the surrender of issues?—The facts lie in a very small compass. Under the Act of 1844, the State is entitled to claim from the Bank of England the net profits of any additional issues of its notes in lieu of country issues lapsed or surrendered. We can take the precedent of 1855 as a measure of what took place when 475,000 *l.* of additional issue was granted to the Bank of England in lieu of 712,000 *l.* of county issues, which had lapsed between 1844 and that time. The Treasury Minute which relates to that transaction is as follows: "The Chancellor of the Exchequer directs the attention of the Board to the provisions of the 5th section of the Bank Charter Act of 1844 (7 & 8 Vict. c. 32), which provides: 'That if any banker who, on the 6th day of May 1844, was issuing his own bank notes, shall cease to issue his own bank notes, it shall be lawful for Her Majesty in Council at any time after the cessation of such issue, upon the application of the said Governor and Company, to authorise and empower the Governor and Company to increase the amount of securities in the said issue department beyond the total sum or value of fourteen million pounds; and thereupon to issue additional Bank of England notes to an amount not exceeding such increased amount of securities specified in such Order in Council, and so from time to time; provided always, that such increased amount of securities specified in such Order in Council shall in no case exceed the proportion of two-thirds the amount of bank notes, which the banker so ceasing to issue may have been authorised to issue under the provisions of this Act; and every such Order in Council shall be published in the next succeeding 'London Gazette.'" The Chancellor of the Exchequer being of opinion that the time had arrived when the power of making the additional issue of notes against securities contemplated by the above clause might properly be applied for, acquainted the Governor and Deputy Governor of the Bank of England, on the 22nd November last, that Her Majesty's Government would be prepared to advise the issue of an Order in Council to sanction the issue of additional bank notes, in the event of the bank making the proper application for that purpose. The Governor and Company of the Bank of England having made such application on the 27th November 1855, it was submitted for the consent of the Queen in Council; and on the 7th December 1855, an Order in Council was passed authorising an additional issue of bank notes to the extent of 475,000 *l.* As the consequence of this Order in Council, it became necessary to consider in what way the provisions of the 9th section of the Act (7 & 8 Vict. c. 32), as to the payment to the public of the net profits of the additional issue, should be brought into operation. The Chancellor of the Exchequer states to the Board that he has been in communication with the Governor and Deputy Governor of the Bank on this subject. It appeared to him that as many of the charges con-

Mr. *Backhouse*—continued.

nected with the issue department were common to the general business of the bank, and could therefore only be calculated by approximation, it would be more convenient to follow the precedent of 1844, and to agree upon a fixed sum to be paid annually to the public, which might be added to the annual allowance of 180,000 *l.* made by the bank under the provisions of the Act of 1844, in diminution of the charge for managing the public debt. The principle upon which the Chancellor of the Exchequer proposed to the bank that this additional allowance to the public shall be calculated, is as follows: The average net annual profit of the issue department, before any payment is made to the public, being on an average of years, 2 per cent. on the issue of 14,000,000 *l.*, the public is entitled to that rate of profit on the full amount of the additional issue of 475,000 *l.*; namely, 9,500 *l.* per annum; subject to a deduction in accordance with the provisions of the 24th section of the Act, 7 & 8 Vict. c. 32, for composition now paid by the bank to bankers who have discontinued their circulation since the passing of that Act, amounting to 1,422 *l.* Leaving a net profit payable to the public of 8,078 *l.*'"

4605. What would be the result of the transfer of the existing local issues on the same terms?—Taking the same terms, the figures would be as follows: The total authorised issue of existing country banks being taken as 6,500,000 *l.*, and the actual circulation as 5,000,000 *l.*, the Bank of England would be authorised to issue two-thirds of the authorised issue against securities, viz., 4,340,000 *l.*; 2 per cent. upon this amount would give a net profit of 86,800 *l.* per annum; but the State would lose the amount of the 7 *s.* per cent. duty, which is now paid on the actual issue of 5,000,000 *l.* which amounts to 17,500 *l.*, and also part of the license duty, say 15,000 *l.*, making a total deduction of 32,500 *l.* There would, therefore, remain only 54,300 *l.* out of which to make compensation to bankers for the compulsory surrender of their issues. And as the 1 per cent. contemplated by the Act of 1844 as the amount of compensation on the voluntary surrender of issue by country banks would pretty nearly sweep away the whole of that, and as this amount has not proved sufficient compensation to induce banks, except under very peculiar circumstances, to accept it, probably a very much larger amount would be required for compensation upon the compulsory surrender of country issues. It is therefore difficult to see how anything would be left to justify the assertion that the extinction of the country banks' issue and its transfer to the Bank of England would be a source of revenue to the State or relief to the taxpayer.

4606. Will you explain the nature and value of local issues to local issuing bankers?—The value to the country issuing banker of the issue is not at all, as is often supposed, its being a monopoly; the country issuing bankers value their issue far more than they would value a similar amount of deposits, because by the abolition of the issue they would lose not only the interest realised on the amount in actual circulation after deducting stamp duty, licenses, and expenses, and also the interest saved on the amount of unissued notes kept behind the counter ready for issue, instead of coin, or Bank of England notes; but they would also (and this is

Mr. *Seebohm.*

14 June 1875.

Mr. *Seebohm.*

14 June 1875.

Mr. *Backhouse*—continued.

really the chief disadvantage) lose that power of accommodating their customers and others in small transactions which, especially in the rural districts, is intimately interwoven with their business, and conducive to its success. If it had merely been a monopoly of a certain amount, then probably it would be simply a question of compensation in case of its withdrawal; but seeing that it does enter into their mode of doing business, and that it is so interwoven with it that it enables them to give facilities to their customers which they could not otherwise give, the feeling of the country banks is that if any change were made, at all events, all these points ought to be thoroughly taken into account, and that no substitute for local issues would really be satisfactory either to them or to their customers, unless it afforded the same kind of facilities as are now afforded by their local notes; and not only as regards the larger transactions of trade and the larger centres of trade, but especially as regards the small transactions of business in the agricultural and rural districts.

4607. Though the issuing bankers are under disadvantages by the restrictions in the Act of 1844, did they not accept them as a final settlement of the question of issues, giving them the power to retain the issues that they had with the restrictions?—They did.

Chairman.

4608. When you say that they accepted it as final, did that Act contain no limitation in point of duration?—It contained no limitation in point of duration, other than the fact that it was temporary as regards the bargain between the Bank of England and the State; and I think that the country bankers universally believed (I was not a banker at the time, but so I am told) that if the bargain with the Bank of England was continued, their privilege would be continued also.

4609. But supposing that it were not continued, how then?—Then the only monopoly existing in England of bank issues would be taken away, and the natural result would be that the issues would be thrown open.

Mr. *Goschen.*

4610. Is that in the Act?—That is not in the Act.

Chairman.

4611. You are speaking of what you understand, having turned your attention to the question, was the impression at the time?—I think that I ought not to answer any question with regard to the impression at the time.

4612. But, having studied the question, you speak as to what you believe to have been the impression at the time?—Yes.

4613. You have no reason to suppose that there was any impression at the time that it was in Sir Robert Peel's contemplation that within the number of years named in the Act, the privilege of issue would be taken away from the country bankers?—From his speeches I think I should gather that he may have contemplated that a larger amount of issue would lapse under the different ways in which it was possible for it to lapse during that time, and that the offer of the ½ per cent. would probably prove more of an inducement than it was found in practice to be.

Chairman—continued.

4614. I understand you to say, that you consider that the advantages which can be offered by local banks with a privilege of issue are greater than could be offered by branches of the Bank of England?—I think so.

4615. Then how do you account for the fact which you mentioned that the only gaps in the great field of private banks are to be found round the branches of the Bank of England?—I think the great reason would be that a local issue is least wanted in the large manufacturing districts, and large places; that its chief use is in the agricultural and rural districts; and that the branch banks of the Bank of England have been placed almost exclusively in the large and populous districts.

4616. You do not think that it is that those branch banks have driven you out, or prevented your occupying the field?—There is no doubt that to a certain extent they supply the need for a local issue; their issue being, to a certain extent, a local issue, but not entirely so, inasmuch, as I explained before, their notes cannot be kept within the locality within which they are issued.

4617. Then do you contend that the private banks and the joint stock banks which now have the right of issue, have that as a right which the State is not entitled to take from them without compensation?—Speaking for private banks, I think private banks hold their right of issue under the common law of England; that by the Act of 1844 they were put under restrictions as to its amount, and under certain technical restrictions as to returns, and so on; but that still we are issuing notes under the common law of England, and that it would be rather a hard case to take our issues away without some compensation.

4618. Other banks which have been established since 1844 are deprived of this which you call a common law right, are they not?—They never had it. There is a peculiarity with regard to an issue in that it cannot be suddenly created; it has grown up with a certain business, and I imagine that the notes which are now under issue by any particular bank are really that amount of local issue which is required by the customers of that particular bank, and those who have dealings with them; and that, even in a district where there is only one issuing bank, if there were another issuing bank started to-morrow, it would be a very long time before that new bank of issue would attain any large circulation. I do not think that it would be possible to increase the total circulation in the neighbourhood, and that therefore it must either get its portion into circulation by the withdrawal of Bank of England notes, by the withdrawal of the local notes of the local bank.

4619. Should you consider that issuing bankers, both private and joint stock, would have any cause to fear the extension of the right of issue to all other banks?—I have no right to speak in the name of issuing bankers, in answer to that question; but giving my own opinion, I should say that they would have little or nothing to fear, speaking simply as regards their own individual interests, and not as a matter of public policy.

4620. Do you consider that they would have reason to fear mischief from the competition which a Scotch bank, possessing the privilege of issue, might carry on against them?—The Scotch case is a very peculiar one. If I may be allowed

Chairman—continued.

to state it in a somewhat homely way, I should say that it is this: there are 11 Scotch banks; they possess a monopoly which is the growth of many years; they have a complete monopoly in their own country, so complete that they have one uniform system of charge, as has been stated before this Committee; and in many other ways they are so united that, though I understand probably the majority of them object to come to London and object to come to England, yet at the same time if two or three of them do come to London or do come to England, it is a question of competition as between themselves as monopolists, that if one comes all must come, and that therefore the practical question for the London bankers, for instance, is not the competition of one bank coming and of another following in a natural way, but it is the question whether the whole 11 shall come almost in a body. To a certain extent it is the same in the country; and possibly a somewhat analogous case might be referred to in the instance of the public-houses. We all know that if one public-house comes to the corner of a street all the other brewers in the neighbourhood must have another by it. That is the sort of competition which I think English bankers have a wholesome dread of; I do not think that it would be to our advantage, nor to the advantage of the public, that there should be that unnatural competition produced by the sudden opening of what has hitherto been considered as a restricted monopoly.

4621. Confining your attention to the country bankers, do I understand you to say that they would think that they had a right to complain of the admission of the Scotch banks possessing this privilege of issue, to compete with them in England?—Living in a district which is not at all in the neighbourhood of Scotland, it certainly would not have occurred to me that in our district we were in any danger of that; but from what I hear with regard to those on the Border, there is considerable danger, and in Cumberland it is, as I said before, a question not of one bank but of many coming.

4622. Supposing that the privilege of issue was to be given suddenly to such banks as are now carrying on business throughout England, which have not the privilege of issue, such, for instance, as the National Provincial Bank, which I think has lost it, the London and County Bank, which I think has it not, and other banks of that character, do you think that the country bankers would have anything to complain of or that they would suffer at all from that competition?—Again, I have no right to speak for the body of bankers, but, personally, I certainly should say that we ought not to any great extent to fear such an extension of the right of issue. I think its practical effect would be very gradual; that it would withdraw somewhat from our circulation, but that it would withdraw a great deal more from the circulation of the Bank of England, because, as I have already stated, I think the circulation, for instance, of my bank, is just that amount of circulation which the transactions of its customers, and those that deal with them, require.

4623. Would you say, speaking generally, as far as you know, that the circulation of the country is about the amount that the country requires?—I think the circulation of the country is exactly the amount that is required south of a line across England, about Lincoln; north of that, the banks are so near the margin of their issues, that probably they are cramped, and there, to supply what is needed, would come in the Bank of England issue.

4624. So that the admission of any new competitor, whether English or Scotch, would not have the effect of increasing the circulation, but would limit, to some extent, the profits of the banks?—I think that would be so.

2645. I still want to get as good an answer as I can to my question, which is whether, in the first place, you can distinguish between the case of the Scotch banks and the case of the London and County Bank, and the National Provincial Bank, and others obtaining this right to compete with you in point of circulation; and, secondly, whether you would consider that the general opening of the right of issue to all the English banks would be a disadvantage to the banks which now have the privilege of the monopoly of issue in England?—I think, in the first case, the competition to which which we should be exposed would be the competition of an additional number of banks. In the second case, it is simply the question of whether existing banks which have not an issue now would compete with us unfairly if they had an issue. I think what I have said before would be an answer to the first question. With regard to the second question, personally I should say that we should not fear the additional competition; I think we have no right to be placed in a position of monopoly, and therefore it would be very ungenerous of us to wish to exclude our neighbours from receiving the same privileges as we have.

4626. Then if the State were convinced that it was an advantage that banks should have the right of issue, and if those banks which have it not were to complain of their being thereby deprived of the possibility of contending with you upon equal terms, you would have no objection to raise to the State giving them that privilege which they might desire?—Personally I should not. I should expect to lose something by the transaction, but nothing like so much as I should lose by the withdrawal of the issues.

4627. It is not, then, that you would object to putting all upon an equal footing by giving the privilege to others, but that you would object to putting them on an equal footing by taking away the privilege from all?—That would not be a question of being put upon an equal footing at all. My bank being a bank of issue has grown up with an issue, and that issue is one of the sources of business. It was historically the beginning of banking, and it has grown into a system of keeping deposit accounts and cheques. It is now the small beginning of small banking accounts, and enters largely into the conduct of the small transactions of the places where I live. The other banks, which have no issue, have started since the Act of 1844; the class of business that they do is one which does not, like mine, require an issue from the circumstances of the case. They have got one branch of business, and the bank of issue has to a certain extent another. It would injure my business very largely for the issue to be taken away entirely, irrespective of the question of being put upon an equal footing. I should not be upon an equal footing with the joint

Mr. *Seebohm.*

14 June 1875.

Chairman—continued.

joint stock bank which had started since 1844, and had got another class of business, if I were suddenly deprived of that portion of my business.

4628. Is not that a kind of business which a new bank would be just as competent to do as you are?—I should have no objection to their doing it, but they would get it gradually.

4629. But you, as I understand, tell us that you cannot get this business profitably unless you have the advantage of carrying it on with notes of your own; that if you were carrying it on with Bank of England notes, you would not be able to do it so advantageously as you do now?—We should have to change the character of our business, and make a great many charges for things which we do now for our customers and others without charge. In that way we should introduce a new system of banking, and we should require many years to get over the change comfortably.

4630. Supposing that the National Provincial Bank, or the London and County Bank, were to think it desirable to open a branch and push that kind of business in your neighbourhood, would they not be under the same disadvantage which you say you would be under if you lost your right of issue?—They are now under the same disadvantage; but then, as I explained before, having started since 1844, and gone into rather a different line of business, we do not look upon them as competing with us exactly in that line of business in which we are moving ourselves. They, with their large capital as joint stock banks, go in largely for deposits; we, as private bankers, do not stimulate that side of our business to anything like the same degree that they do.

4631. But, practically, you have got the monopoly of that kind of small business, such as supporting the small tradesman in your neighbourhood, which you have been describing, and which is no doubt very useful to the community?—We have a monopoly, but it is really the survival of free trade. It is not a monopoly which has been conceded to us.

4632. But is it not conceivable that if there were other banks carrying on that same business on equal terms with yourselves, they might be able to offer those facilities, and even to offer superior facilities to those which you offer to the neighbourhood?—Yes; I should not object very strongly to their doing it. I must confess that, personally, I should be sorry to lose a portion of my business, but I do not see on what ground of policy I could object.

4633. But if the right of issue is necessary to the carrying on of the business, it follows that you would not object to their having the right of issue given to them, in order to enable them to compete on equal terms with you for that class of business?—I think, as a matter of public policy, the fact that we have had a monopoly for 20 or 30 years gives us no right to its continuance.

4634. Supposing that Parliament were convinced that it was desirable to encourage the extension of these banks for the purpose of giving greater facilities, you would not consider that you have such a right as should enable you to stop Parliament from so acting?—I should not personally consider that we had.

4635. If Parliament took the converse view, and instead of saying, "It is desirable to extend

Chairman—continued.

the right of issue to banks which have not got it," said, "It is desirable to take away the right of issue from all banks, and to carry on the currency of the country through some different system" (say by means of a State issue, or anything else), would you contend that you have such a right as would entitle you to say, "You cannot in equity do this"?—I think so.

4636. Why?—Because our business has grown up out of the power of issuing; the power of issuing is essential to that line of business which has come into our hands through the growth of our bank in a particular way; and to take that suddenly away would be to inflict an injury upon our bank which I do not think the State would have any right to do without great grounds of public policy and without compensation.

4637. Supposing that it made compensation, I understood you to say that no amount of money compensation would really meet the case?—It really would not meet the case.

4638. I do not quite understand why not?—Because, instead of doing things which we do for our customers for nothing through our note issue, we should have to put a tax upon the small transactions of our own market, which would be a very disagreeable thing to do, and very inconvenient especially for us to do.

4639. Why should you have to do that?—Because if a person brings to the bank a cheque on a Manchester bank, and asks for it to be exchanged over the counter of the bank, I cannot afford to give gold or Bank of England notes for it without charge, because I shall be three days before I myself get the money for the cheque.

4640. Even if you had been already compensated for having lost the right to your notes?—Of course it would depend upon the amount of compensation. If I were compensated sufficiently, I could give up the whole of my business.

4641. But you would not want the public to compensate you over again. If you put on a charge which was in itself a compensation, you would not want any compensation from the public for giving up that which you could recoup yourself for by a charge upon the customers?—The charge would be only very small in the first place; and, in the second place, the inconvenience and probable loss in other ways from the removal of accounts, and altogether from the change in the style of doing business, would be much greater than any amount that we should ever receive out of commissions on those transactions.

4642. I suppose you have yourself no knowledge of the state of business in those districts where the branches of the Bank of England have kept out the local banks?—I have no special knowledge of it, with the exception of the one fact that a friend of mine presented a Bank of England note at the Manchester branch of the Bank of England, which was refused payment on the ground that it was issued by the Liverpool branch, and not by the Manchester branch.

4643. My question did not point so much to that; I want to know whether, in those parts of the country where there are no local banks with rights of issue, those facilities of which you speak are really denied to the population?—I know that

Chairman—continued.

that they are denied from the inquiries that I have made.

4644. You do not believe that in such districts as the neighbourhood of Portsmouth, or the parts of Northumberland or Lancashire that you have mentioned, small traders have the same advantages of getting a credit, and getting a start in business, that they have in such a neighbourhood as your own?—The result of my inquiries is decidedly that they have not.

4645. Do you know what are the parts of the country in which bankers have given up their rights of issue and surrendered them to the Bank of England?—No.

4646. Have you turned your attention to any of the other disadvantages or restrictions which are imposed upon banks of issue, such, for instance, as the inability to come to London, and the inability to extend their partnership, or to amalgamate, without losing their right of issue?—With regard to coming up to London, I believe there is nothing in the present law to prevent private issuing bankers coming to London without surrendering their issues.

4647. Private bankers, however, are unable to convert themselves into joint stock companies, or to increase the number of their partners beyond six, without losing their right of issue, are they not?—They are.

4648. Do you consider that any disadvantage?—I think it is an unwise law and an interference with trade, which really produces no good; but I do not think that it has often been found to be of much practical disadvantage.

4649. Supposing that the limit were taken off, do you think that the bankers would, to any extent, avail themselves of the privilege of amalgamating?—No doubt, in certain instances, they might.

4650. Are there any other restrictions imposed upon issuing bankers to which you would wish to call attention?—I do not recollect that there are any other restrictions.

4651. Do you think that the issuing bankers would like to be allowed to issue notes upon gold, over and above their authorised issue?—Speaking for the bankers rather more in the south of England than in the north, bankers south of a line east and west of Lincoln are so far within their authorised limit that, even if they had the power, they could not exercise it.

4652. Why are they within their authorised limit; is it for fear of exceeding the limit inadvertently?—No, it is in the natural course of business. The origin of banking in the country districts was very much banking through the issue of notes. The place of that old system of banking has been gradually supplied by the modern system of keeping current accounts and drawing cheques, and as the one has increased the other has diminished.

4653. Is it in process of further diminution?—It is in some districts, but not in others; it is simply a question of a race between the economy of a note issue, by the extension of banking accounts and cheques, and the growth of population and trade. In towns, for instance, like Sheffield, Leeds, Huddersfield, and Bradford, where trade has increased enormously fast, the issues are not sufficient for their wants; but in the agricultural districts, though there has been a large increase of trade, and, probably, the deposits of the banks have multiplied since 1844, the tendency has been for the issues to be more and more within their margin.

Chairman—continued.

4654. Do you think that there would be any objection on the part of private bankers, or issuing bankers generally, to give security for their issues?—It is not a question upon which they are at all unanimous. The practical difficulty in discussing the question of what sort of security could be given seems to be this: that it is very difficult to devise a security which should not be double in its action. For instance, supposing that Consols were deposited in London against the issues, that still would not obviate the necessity of holding a certain amount of cash in the country to meet the note isssue; and therefore it would be locking up a larger amount of money than the issue would really sustain.

Mr. *Goschen.*

4655. That objection would not apply, would it, if a portion were represented by securities deposited with the State?—No, I think not.

4656. Would that be a desirable measure?—Personally, I should be decidedly in favour of the deposit of some sort of security.

4657. You are, as I gather, generally in favour of the maintenance of private issues, and not opposed to their extension?—Speaking generally, I should say yes to that question; but still I reserve entirely the question of public policy; I would not say that I should like to see them entirely thrown open; I think that there would be a great disadvantage in having a great many issues in each place.

4658. Would you admit the right and the duty of the State to take measures for securing the convertibility of the note?—I think I should.

4659. You have stated that you consider that the right of private issue might be held to exist by common law; would that right of issue be subject to the right of the State to secure the convertibility of the note?—I think that the right of the State is bounded simply by the needs of the public advantage, and that there is no such thing as an abstract right in the State to do anything with the issues, but that it is simply a question of whether the public good requires it.

4660. Would you admit that the public advantage required stringent measures to be taken to secure the safety of the bank note?—Yes, I think that the need would justify the action.

4661. Is it a need that must exist, and a duty that must exist, in all countries where private issues are allowed?—I do not think that I should state it quite so broadly as that. There is no doubt that it has been a very great disadvantage in times past that the note issue has not been secured; but I think it is becoming less and less of a disadvantage, from the very small proportion of the issue to the total liabilities of banks.

4662. If the system of the currency were changed, and private issues were expanded while the bank issues were contracted, do you not consider that it would be necessary, in the public interest, that stringent measures should be taken to secure the safety of the note?—I think I should say yes to that question.

4663. And therefore, if private bankers have rights of issue, they are to a certain extent limited by the public necessity that the notes should be well protected?—I think that all pri-

Mr. *Seebohm.*

14 June 1875.

Mr. *Goschen*—continued.

vate rights are subject to the same kind of limitation.

4664. And therefore you could not claim what might have appeared from your earlier answers, without this explanation; that is to say, that banks might issue freely under the common law without being subject to State control?—I do not think that you can do anything freely under the common law without the limitation applying that if the public advantage requires it, it is right to limit you.

4665. You would not complain that your rights were invaded if Parliament should require private bankers to make large deposits of securities, for example?—I think it would become a question of degree. If it inflicted a large loss upon a banker then I think it might become a question of compensation; if it was done moderately I do not think that there would be any requirement of compensation.

4666. If the right of private issue were extended in any fresh legislation, would you consider that it was necessary to take strong precautions that the notes should be perfectly convertible, or would you leave it mainly to the banks to take care of it themselves?—I think that it would probably be wisest to take measures to secure the convertibility of the note.

4667. Do you consider that the present state of the private issues of the country is satisfactory?—I should think so. Of course it is not satisfactory that there are any failures amongst bankers, but I think that since 1844 the failures have not been very numerous, and that certainly the condition of banking is much better than it has ever been before, so far as I can judge.

4668. If there were any charges made in the legislation affecting private bankers, do you think that it would be wise for Parliament to look to the security of bank notes?—I should say it would.

4669. Can you state a little more in detail the difference between your business and that of non-issuing banks; what are the points in your business which require you to have the bank notes, and which constitute yours a separate line of business, as distinct from that of the joint stock banks which have no issue?—In the first place, from the fact that most country issuing banks were founded very early in the history of banking and all of them before 1844; they have acquired business of that character; they have begun with the little transactions of the country, and those persons who do not keep banking accounts, or who keep small banking accounts, have naturally come to them, and grown up with them. The business, I should say, of the large joint stock banks has been of rather a different character. They have come in afterwards, after that business was already in the hands of the old banker, and they have gone in for a new class of business, viz., that of deposit banking; they have offered larger rates of interest than the old banks were in the habit of doing, and with their large capitals, and so on, they have no doubt got a much larger share of the deposit business than they have of the other class of business.

4670. Have they created that business, or have they taken it from the other banks?—I should think that it would vary in different places; but, speaking generally, that their business has grown with the growth of the trade; they have come where they were wanted.

Mr. *Goschen*—continued.

4671. I do not gather so far from your answers that there is more distinction than this: that the private banks of issue have got the smaller and more detailed accounts, while the joint stock banks have got the larger accounts involving larger deposits; are there any other distinctions?—That is not exactly what I meant. In using the word "deposit," I meant money left at interest, either at call or for a longer period. As a rule, the old banks have not been in the habit of cultivating that kind of business so much as the joint stock banks have, and it probably was the introduction of joint stock banks in 1833 which almost began the practice of giving interest on deposits; so that they have been the banks which have secured the largest share of it.

4672. You have a certain amount of additional capital at your disposal through the issue of notes, and they have a certain amount of capital at their disposal for which they pay a moderate interest; would that be a fair discription?—Yes, but the amount of capital which is brought by issue to a bank is so exceedingly small in proportion to the whole capital of the bank, that I should think that it was not at all taken into account in the transactions of the bank as to charges, or anything of the kind.

4673. You value it more for the convenience, and for the facilities that you are able to give to your customers by it, than for the additional amount of capital that you get which costs you nothing?—Yes, with this limitation, that it is certainly a very great saving of capital, having it in our tills instead of gold. When the two are added together, you would probably get an amount which would be appreciable. That would pretty nearly double it.

4674. You have the advantage of holding less money idle in your tills, and you have the advantage of the notes that are out?—Yes.

4675. You do not consider that the notes which are out are a very large amount, as compared with the capital, and the other means that you have of securing capital, but that the two together are an appreciable amount?—Their withdrawal would inflict a loss in pounds, shillings, and pence, which would be quite appreciable, but I do not think that it would be appreciable on the point of charges.

4676. Still I do not feel that the Committee have got more of the distinction between your business and that of the joint stock banks than this: that they secure a certain amount of larger business, through paying interest for it. Are there any other details which you could give the Committee showing them the class of business that you get by the issue of your notes?—I should demur to the way in which you put the conclusion that I have come to. It is not the larger transactions that the joint stock banks have got, but the larger sums on deposit with them, almost by way of investment. It does not at all follow that the transactions of the issuing banks are not of quite as large a character, and they have quite as large accounts; but as a rule, I should think that they do not hold nearly so large a total of deposits in proportion to the amount of their business as joint stock banks do.

4677. The joint stock banks have the larger accounts, but you are able in addition to obtain a large number of small accounts, which small accounts, as I understand, come to you from your

Mr. *Goschen*—continued.

your having the facilities which you possess?—All accounts begin by being small ones; but those very accounts grow into large ones, and we value our issue as a means of doing the small transactions of the market which grow into large ones, which form the beginnings of banking; so that it is really of very great additional value to us as a feeder in the long run to our business.

4678. It is in the beginnings of the accounts, through the small transactions of the market as you express it, that you have the advantage?—It is so.

4679. Will you explain how that is?—By being able to cash cheques in the market. Persons holding those cheques bring them to us to be cashed; they take our notes in exchange, and hold a certain amount of our notes in their pockets from week to week, which is exactly the same thing to us as a very small deposit. As the business grows larger, they will bring those notes and pay them in, and open a banking account, and draw cheques.

4680. Cannot they do precisely the same with joint stock banks?—No, because they cannot take those cheques to a joint stock bank which does not issue (we are speaking of the distinction between banks of issue and banks of non-issue), and get them cashed without a charge; and the consequence is that they do not go to them for that class of business.

4681. Would not the joint stock banks give them Bank of England notes, or whatever they may hold against that cheque, without charge?—No, certainly not; because they would be two or three days out of their money.

4682. Of what class of cheques are you speaking?—One of the instances which I gave was that of a market gardener in our neighbourhood, who would send his goods to Manchester, and would receive a cheque on a Manchester bank by post, in return for those goods, and that cheque he brings to us.

4683. Do you mean cheques upon other places than your own?—Cheques upon other places than our own.

4684. And you are able to do that without charge, because it only involves putting your own notes in circulation for a certain number of days?—That is so.

4685. Whereas in the other case it would have a distinct effect upon their till?—Yes, that is the truth.

4686. You do not find, as I understand, that your system of issue stimulates deposits?—I should not think so.

4687. In the case of the Scotch banks, we have understood that their system has stimulated deposits very much; I understand you rather to demur to the view that the private banks of issue stimulate deposits?—They may stimulate deposits, taking the word "deposits" as meaning current accounts, in the way that I have just explained, but beyond that I cannot see what possible effect they can have in that direction. A note is a form of deposit in fact. It is held by the person holding it, instead of his opening a bank account.

Sir *John Lubbock.*

4688. It may stimulate deposits by enabling banks to open branches, where otherwise branches would not pay?—Certainly.

Mr. *Goschen.*

4689. Have you any branches?—We have three branches besides our head office.

4690. And through those branches you would get deposits that you would not get if those branches were not there?—The branches are in fact banks in themselves; we have no very small branches.

4691. You are not in such a position that the withdrawal of your issues from you in any way would have any effect in requiring the suppression of branches?—Not as regards my own bank; but I am informed that, for instance, the large bank in Somersetshire, Stuckey's Bank, would have to withdraw a considerable number of branches if they had not their issue.

4692. You would hold that small branches can be kept up in country districts where private bankers have issues, which would not be able to be kept up, or would not be remunerative if those issues were withdrawn?—Certainly.

4693. And that is on account of the facility of supplying the till with notes without loss of interest?—Yes; and in our own case a great number of shopkeepers who freely exchange cheques, and who are, to some extent, therefore the bankers of the village, would be, to a certain extent, restricted in the same way.

Mr. *Hubbard.*

4694. I think I understood you to say that country bank notes are practically exchangeable all over England by banks, irrespective of their being connected with the issuing bank itself?—No, not exactly that; they are practically, wherever there is a local issue, exchangeable from the fact that the shopkeeper, or whoever it is who exchanges them for the public, can bring them to the market town that he goes to, and get them exchanged without charge, into whatever he likes.

4695. By way of illustration, bank notes issued anywhere in England would be exchanged at Hitchin by the bank with which you are connected, because yours is an issuing bank?—Yes, any cheque or bank note would be equally exchangeable into our own notes provided that we knew the person, and felt that it was safe.

4696. Do you apply that qualification to the note or to the person?—To the person; we should not have the slightest difficulty in exchanging any bank note at all, I think; but where it is a cheque of course everything depends upon whether the cheque is a good one.

4697. I am not alluding to cheques, but I am simply referring to the matter of bank notes, and I understand you to say that country bank notes wherever issued, whether by a private or by a joint stock issuing bank, would be practically exchangeable at Hitchin if presented to your bank?—Yes, and that would apply equally to Bank of England notes.

4698. Did I correctly understand you to say, that in that respect the country bank notes have an advantage over Bank of England notes, inasmuch as the Bank of England does not at one branch pay its bank notes issued at another branch?—The advantage which is given by the local issue over all the other notes lies in this, that wherever there is an issue, that issue can be given for either notes or cheques, whatever they are; and the Bank of England cannot do the same, for the reasons that I have shown.

Mr. *Seebohm.*

14 June 1875.

Mr. *Hubbard*—continued.

4699. Did you not say that at the Liverpool Branch of the Bank of England the payment of a note had been refused because it was dated from Manchester?—Yes, and *vice versâ*.

4700. Can you state the amount of that note, and the date when the occurrence took place?—I cannot give you the date, but I think it was a 50 *l.* note. I have made inquiry, and I am told that it is the custom, and that particular instance was given to me as a proof of it.

4701. Can you say whether this note was presented by way of testing the question, or whether it is the habitual practice of the branches of the Bank of England to refuse the payment of notes issued except by themselves?—It was not by any means a test; it was simply in the ordinary course of business.

4702. I think you said that the issuing banks had a great advantage both in the success of their own business and in the accommodation to the public, from the fact that they are issues; do you think that they have any advantage over the London and County Bank, which is not an issuing bank, and which has, I believe, a great many branches, many of them in exceedingly small towns?—Undoubtedly, a local issuing bank has an advantage of one kind, but such a bank as the London and County Bank has an advantage of another kind, and it is a question of the balance of those two advantages. But undoubtedly their advantages would be increased if they had an issue.

4703. As regards the convenience and recommendation of the public, do you think that the London and County Bank is in the least degree behind the ordinary issuing banks of the provinces in the accommodation which it is able to give to the public?—Certainly it is, in that particular; that any cheques brought to it by a person who was not a customer, could not be exchanged by the London and County Bank without a commission being charged.

4704. Would the London and County Bank charge a commission for cashing the cheques of any issuing body?—Yes.

Mr. *Hubbard*—continued.

4705. You stated, did you not, that the Act of 1844 left, as you imagined, the position of the right of issue in a condition which may be considered final?—Of course there is no real finality in anything. An Act of Parliament can do anything, but it was considered to be a final bargain, as I have understood, by the country banks.

4706. Are you aware that under the 24th section of the Act of 1844, the Bank of England were authorised to compound with issuing banks, giving to them a commission or composition of 1 per cent. upon the amount of their issue?—Yes.

4707. Do you know how long that composition was calculated to last?—In the terms of the Act, it was to last as long as the monopoly of the Bank of England.

4708. Will you allow me to draw your attention to the next section, section 25: "And be it enacted, that all the compositions payable to the several bankers mentioned in the schedule hereto marked (C.), and such other bankers as shall agree with the said Governor and Company to discontinue the issue of their own bank notes as aforesaid, shall, if not previously determined by the act of such banker as hereinbefore provided, cease and determine on the 1st day of August 1856, or on any earlier day on which Parliament may prohibit the issue of bank notes:" is not that a distinct declaration that even the arrangement of this composition was limited in the first instance to 12 years as the extreme limit, with the opportunity of even a speedier cessation of the arrangement; and does not that clause distinctly intimate the power of the Legislature to terminate the rights of issue whenever they choose?—I know that clause, but the view I have taken of it was simply this: that that date which is given there is the date, I think, of the expiration of the Act; that if there had been no further legislation, the Bank of England itself would have lost its monopoly at the end of that time, and that the two were expected to be continued together.

Thursday, 17th June 1875.

MEMBERS PRESENT:

Mr. Anderson.	Mr. Leveson Gower.
Mr. Backhouse.	Mr. Kavanagh.
Mr. Campbell-Bannerman.	Mr. Sampson Lloyd.
Mr. Stephen Cave.	Sir John Lubbock.
Mr. Chancellor of the Exchequer.	Sir Graham Montgomery.
Mr. Beckett Denison.	Mr. Mulholland.
Mr. Orr Ewing.	Mr. Torr.
Mr. Goschen.	Mr. Hussey Vivian.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. FREDERICK SEEBOHM, re-called; and further Examined.

Mr. *Seebohm.* 17 June 1875.

Mr. *Backhouse.*

4709. I THINK you wish to explain two or three answers which you gave upon the last occasion?—I have been looking through the evidence in type, and there are one or two points upon which I should like to make an explanation. The first is the answer to Question 4644; I must have misapprehended the meaning of that question; it runs thus: "You do not believe that in such districts as the neighbourhood of Portsmouth, or the parts of Northumberland or Lancashire that you have mentioned, small traders have the same advantages of getting a credit, and getting a start in business, that they have in such a neighbourhood as your own"? My answer appears to have been: "The result of my inquiries is decidedly that they have not." I understood that question to refer to the advantages derived to small traders in the cashing of their cheques in the early stages of their business without charge, and not to their obtaining credits or loans. I should not feel that we have any right to say that in other places where there are no issues there is not the same chance of persons getting into business by getting credits or loans.

Chairman.

4710. But you still maintain that in these districts they would have less advantages in the way of getting cheques cashed?—Yes. The next point was the general question involved in the questions of the Right honourable Member for the City of London, Mr. Goschen, upon the distinction between the class of business which is done by the old issuing banks and the class of business which is done by the new larger joint stock banks. I think that there is some little confusion in the questions and answers for want of a clear understanding of the difference between what is meant by a deposit account and a current account; understanding a deposit account to be an account in which money is lodged at interest for safe keeping, and against which cheques are not drawn, and understanding a current account to be an account where money is simply deposited generally, without interest or

Chairman—continued.

with a smaller rate of interest, and against which cheques are drawn; and that distinction being clearly appreciated, then I think the difference between the business of the old banks of issue and the new joint stock banks would be this: that the new joint stock banks have gone into that line of business which is meant by the term "deposits," whereas the old banks of issue have cultivated more largely the business connected with current accounts, and have not thought it right to stimulate so largely the deposit branch of their business. I think that it will be seen that there is a very great difference between a private bank, at any rate, and one of the large joint stock banks with a very large amount of capital, and that it would not be wise for the private banks to try to obtain, by offering large rates of interest, the very large funds which it may, or may not, be justifiable for the joint stock banks with their larger capitals, to ask for.

Mr. *Anderson.*

4711. You mean that in the event of a panic it would be dangerous for the private banks to be largely in the deposit business?—I mean that the feeling of the private banks with regard to the business of banking is this: that they are the custodians for the convenience of the public of the loose monies, the loose balances of the public, and that they are not places for permanent investment, and that it would not be safe for them to go largely into that branch of business, which practically comes to holding money by way of investment.

Sir *John Lubbock.*

4712. That opinion, I think, does not rest merely upon any question of difference of capital, but as a general principle; many of the private banks hold the same view?—I should not like to give an opinion as to how far it is justifiable for the large joint stock banks to do that class of business; but certainly my opinion would be that it would be very unjustifiable for private banks as a class to stimulate at all largely that class of business.

Mr. *Seebohm.*

17 June 1875.

Mr. *Backhouse.*

4713. Do you desire to give any further explanation in reply to the Question (No. 4708) of the right honourable gentleman the Member for the City of London, with regard to the power of the Legislature to terminate bankers' rights of issue?—I stated shortly that my view was that the arrangement of the 1 per cent. made to those banks who had given up their own issues, and taken in their places the issue of the Bank of England, was intended by the Act of 1844 to continue as long as the privileges of the Bank of England continued. The clause in the Act of 1844 to which the right honourable Member alluded was Clause 25, which contains the provision that these compositions are to cease and determine on the 1st day of August 1856, or on any earlier day on which Parliament may prohibit the issue of bank notes. I could not on the spur of the moment find the clause which fixes the same date as the date when in its natural course, the extension of the privileges of the Bank of England under the Act of 1844 would cease. It is the 27th clause which continues the privileges, "subject nevertheless to redemption upon the terms and conditions following; that is to say, at any time upon 12 months' notice, to be given after the 1st day of August 1855," the privileges were to cease. That was the common form used in, at all events, one previous statute; and my understanding of it was that the date of the 1st of August 1856 for the termination of the 1 per cent., was fixed as being the same date as the expiration of the 12 months' notice, if that notice had been given on the 1st August 1855. As it happened notice was not given, and consequently if no other legislation had been made the 1 per cent. would have ceased; but inasmuch as the privileges of the Bank of England were continued, in 1856 a special Act of Parliament was passed (19 & 20 Vict. c. 20) which recites these sections, and then enacts that 7 & 8 Vict. c. 32, s. 25, should be repealed; and the second and only other section of the Act is as follows: "All the compositions payable under the said Act, as amended by this Act, to bankers who have discontinued, or who shall agree with the said Governor and Company to discontinue, the issue of their own bank notes, shall, if not previously determined by the act of such bankers, as by the said Act provided, and unless Parliament shall otherwise provide, continue in force and be payable until Parliament shall prohibit the issue of bank notes, as defined by Section 28 of the said recited Act, or until the exclusive privileges of the said Governor and Company mentioned in Section 27 of the said Act shall be determined in pursuance of such section, or otherwise be determined or altered by authority of Parliament." So that as regards the practical position at the present time, I think I was right in the view that they extend as long as the privileges of the Bank of England extend.

Chairman.

4714. The question was put to you rather with reference to a statement which you had made, that at the time that the Act of 1844 was passed it was supposed to settle the question, as far as anything could finally be settled, with regard to the position of the country bankers. The legislation of 1856 could not then have been forseen, I presume?—But I think it hardly would have been gratuitously given to those banks, unless it had been considered to be within the understanding of 1844.

4715. Then you consider that the Act of 1856 throws light upon the intentions of the Act of 1844?—I think that it carries out the probable intention of the Act of 1844, and that without it a part of the Act would have fallen. The fact that this Act was passed to continue the 1 per cent. may surely be taken as indicating that it was intended that the 1 per cent. should last as long as the privileges of the Bank of England. At least that was my view.

Mr. *Beckett Denison.*

4716. I think the gist of Question 4708 is contained in the last sentence: "Does not that clause distinctly intimate the power of the Legislature to terminate the rights of issue whenever they choose"?—In reply to that I should say that it has actually the same right to terminate the issue of the Bank of England that it has to terminate the country issue.

Sir *John Lubbock.*

4717. In your opinion the business of bankers may be divided into two main divisions, may it not: firstly, the receipt of money from some customers which is then re-lent out to others at a different rate of interest; and secondly, keeping people's accounts, and collecting the cheques and bills which they receive in the course of business, and on the other hand paying the cheques and bills which they themselves have to pay to their customers?—Yes, I should say so.

4718. Is not the latter part of the business, in your opinion, quite as important as the former?—I should say rather more important.

4719 And the two are very closely connected, are they not, so that anything which gives a bank an advantage in one department of the business would also give it a considerable advantage with reference to the other?—Undoubtedly it would.

4720. When you receive cheques from other bankers for payment, you make no charge for commission, do you?—They pass through the clearing house without any charge for commission.

4721. And you yourselves can collect drafts drawn upon bankers in any part of England, through the country clearing free of any commission, can you not?—We can.

4722. On the other hand, if you receive a cheque drawn upon any Scotch bank, you are then subject to the Scotch charge for commission, are you not?—Yes, that is so.

4723. In fact, the Scotch banks make the English banks pay them a commission upon all such transactions?—Yes.

4724. Can the English banks under existing circumstances help paying that commission to the Scotch banks?—No, I do not see that they can. The monopoly of the Scotch banks places them in the position of saying that all cheques drawn upon Scotland, which have to come to Scotland for exchange, can only be exchanged by themselves, and therefore they have the power of putting any commission that they choose upon them, provided that they are agreed amongst themselves and act in concert.

4725. So that, in fact, an Englishman in business having to receive money from a customer in any part of England, can collect that money free of charge, whereas if he has to receive

Sir *John Lubbock*—continued.

ceive money from Scotland he has to pay a commission to the Scotch bank?—That is so.

4726. At present, no doubt, the transactions between your part of the country and Scotland, are comparatively few, but if the Scotch banks gradually extend themselves over England, such transactions will, of course, tend to become more numerous, will they not?—They are at present in the agricultural districts exceedingly small, but I suppose that the tendency would be for them to increase.

4727. And in such a part of the country as Cumberland, where the transactions with Scotland are more numerous, those considerations would be of great importance, would they not?—I think that they would, because they would not only affect those who were allied to the Scotch banks in their business, but they would have a tendency to drive to the Scotch banks those English customers of the English banks, who had transactions with Scotland.

4728. I suppose we may take it, that practically the advantage to the country banker in the form of commission, seldom exceeds, say 2 *s.* 6 *d.* per cent. upon an account, and consequently, if that banker has to pay 2 *s.* to the Scotch bank, any transactions of that kind would practically leave a loss to the English bank, would it not?—It would either probably have the effect of leaving a loss to the English banker, or it would oblige him to charge a higher commission for those transactions than the Scotch banks or Scotch branches in England charged.

4729. And therefore it would put him to considerable disadvantage in competing with the Scotch banks in the same locality, would it not?—Certainly, as regards that class of business.

4730. And therefore the privilege which the Scotch banks enjoy acts in a very different manner from the enjoyment of a mere subsidy from the State, does it not?—Entirely so.

4731. Of course it would be unfair that any undue advantage should be given to one bank over another, in the form of a subsidy; that in itself would give the bank a considerable advantage, because it would be equivalent to the enjoyment of capital upon lower terms; but I understand you to maintain that the Scotch privileges are much more serious and quite different, because the monopoly which they have enables the Scotch bankers to, in fact, levy a tax upon the English bankers upon every transaction, which one of the English banker's customers has with Scotland?—Of course, a subsidy would, *pro tanto*, have the effect of giving the bank that was subsidised some sort of advantage over the bank that was not. But in the case of the Scotch, the greatest difficulty is, that the subsidy is not only a subsidy, but one which has enabled them to make themselves into a tight monopoly.

4732. And, therefore, the competition with Scotch banks is a very different thing from the competition with such English banks, for instance, as the National Provincial, or the London and County?—I think it would be so in those districts chiefly where there was a good deal of Scotch business.

4733. There is no part of England in which any particular banks have a monopoly, because it is quite open to any English bank to open branches in any other part of England, is it not, except with reference to London alone; that is to say, you could go and open in Wales or in Cornwall, or in any other part of England, if you felt it desirable to do so?—There is no restriction at all, that I know of, in that respect.

Sir *John Lubbock*—continued.

Mr. *Seebohm.*

17 June 1875.

4734. And when Parliament gave those advantages to the Scotch banks, in your opinion, it was clearly the intention that they should confine their business to Scotland, was it not?—I think that the whole range of the legislation regarding English and Scotch banking seems to have tacitly assumed that the two were different systems, and that probably there was no intention or thought of the Scotch banks banking in England.

4735. We have it stated in evidence that the system of charges and the whole arrangements of the Scotch banks are the same throughout Scotland, whereas in England the mode of doing business differs somewhat in different localities; do you think that the similarity of charges throughout Scotland is on the whole an advantage or a disadvantage?—I should not like to give an opinion as regards Scotland, but I think that it would be entirely impossible in England, and that anything like uniformity of charge in a manufacturing or an agricultural district would become an absurdity.

4736. Will you explain why you think that different systems are adapted to different localities?—Because I think that charges, like other things, should follow the laws of supply and demand, and that in districts where, for instance, capital is in very great demand, the local capital of the district would naturally command a higher rate of interest; and again, in districts where the transactions were very large, and involved considerable risk, almost without the possibility of evading it, the charges by way of commission must necessarily be larger.

4737. The Scotch banks have a system of making a different charge upon cheques according to the distance of the town upon which they are drawn; do you think that that is a system which would be favourably regarded by men of business in England?—I should think that it belongs to the coaching days. I never could see why, since the penny postage was established, and the postage from Edinburgh has become practically a one-day post, the distance should be made the excuse for an additional charge.

Mr. *Beckett Denison.*

4738. I wish to refer you to Question 4654, as to private bankers giving security for their issues; will you explain to the Committee a little more fully than your answer to that question does, what your ideas upon that subject are?—I stated that the practical difficulty in discussing the question of what sort of security could be given seems to be this: that it is very difficult to devise a security which shall not be double in its action. What I meant was this, that if the security be lodged in London against the note issue, it would not prevent a certain amount of gold, or legal tender being held in the country to secure the convertibility of the notes, and that, therefore, if the security were lodged to the whole of the amount, it would be practically locking up funds which ought to be available for making the note convertible in the locality where it is issued.

4739. But you go on to say in answer to the next question, that there would be no objection if a portion of the note-issue were represented by securities deposited with the State. Upon

Mr. *Seebohm.*

17 June 1875.

Mr. *Beckett Denison*—continued.

that I wish to ask you what would be the advantage of part of the issue being secured, and the other part not being secured; how do you propose to ear-mark the securities or to ear-mark the notes?—The question asked, as I understood it, was whether the difficulty would not at all events be partially, if not altogether, removed, were securities deposited against only a portion of the amount. Perhaps I may have answered the question rather too broadly in saying, "No, I think not." "It would be *pro tanto* removed," would be a better answer to the question.

4740. You mean that the double action would be removed?—I mean that the double action would be removed.

4741. But as regards the security of the note, what would be the advantage of having a portion secured and portion unsecured?—That, I think, I must refer to the questioner. I was not speaking at the moment on the ground of public policy, but answering a question whether bankers would object to it.

4742. But would not the system, supposing that it were introduced, be very much what we now find in Scotland, that is to say, that although the Scotch bankers can issue an extra amount of notes against gold, in point of fact the gold is not ear-marked, and the whole of their liabilities are just as much covered by that gold which they issue against the notes as the notes themselves are?—I think it would; I think that the security of the note would require something further than the deposit of a portion of securities against a portion only of the issue. Possibly the remainder of it might be made a first charge upon the assets. I do not know at all what was in the mind of the Right honourable gentleman when he asked the question.

4743. You have not thought the subject out in fact, as regards the practicability of depositing securities against a portion of the note-issue?—I think that it would be perfectly practicable to deposit securities to a portion of the issue, and that the remainder of the issue should be made a first charge upon assets. It brings in another principle against which some reasons may be urged, but I imagine that in all these cases it is rather a balance of advantages and difficulties, and that you will not find any plan which is not open to any difficulty at all.

Mr. *Goschen.*

4744. Are you acquainted with the present system in the United States of issues against securities on the part of various banks?—No, not at all accurately.

Mr. *Anderson.*

4745. With regard to Bank of England notes, I think you said that the notes issued at the branches were only payable at the branches?—There is a clause in the Act of 1833 upon the subject which, I believe, has fixed the practice that they shall only be made payable at the branches at which they are issued; my answer had reference to the practice; I believe it to be the practice of the branches of the Bank of England to cash at the counter without charge only those notes which have been issued at the branch itself.

4746. Are the notes issued at the branches legal tender all over England?—I am afraid I cannot answer that question off-hand; I rather presume them to be so.

Mr. *Anderson*—continued.

4747. Is the restriction about paying them only at the branches where issued a restriction which is carried out in practice, or is it only a legal power?—It is carried out in practice; my evidence upon that point was not in the slightest degree intended to raise any complaint against the Bank of England, but I simply introduced it by way of showing that a single issue, so far as I could see, could not be made payable everywhere. Since I was here before I have verified one of the statements that I made by asking one of my informants to put the real facts of the case in the form of a letter. The answer to my request is: "You are certainly accurate in saying that to the Select Committee, that at the branches of the Bank of England their notes issued at other branches are not cashed without charge; for instance, we have not unfrequently needed to procure gold for wage payments in this district, and we have often sent over to the Manchester branch of the Bank of England to obtain a supply of gold; we are, as a matter of course, required to present only the notes of that one branch, and for notes of London issues or any other branch than Manchester, gold has been or would be uniformly refused; indeed it could scarcely be otherwise, as the Bank of England could not be expected to keep gold at any one branch to pay the notes of all its other branches." This is from Mr. Barber, who is the managing director of the Sheffield Banking Company.

4748. Is it not an extraordinary arrangement, in your opinion, that a note which is only payable at one branch in one locality in the country should be a legal tender all over England?—I should hardly like to answer that question without having first ascertained that it is so.

4749. But you have ascertained, I think, that it is so in practice; and it would hardly be so in practice, would it, unless it were according to law?—My impression is that there is no distinction in that respect between the issue at the head office and the issue at the branches; 3 & 4 Will. 4, c. 98, s. 4, enacts that all notes of the Bank of England, payable on demand, "which shall be issued at any place in that part of the United Kingdom, called England, out of London, where the trade and business of banking shall be carried on for and on behalf of the said Governor and Company of the Bank of England shall be made payable at the place where such promissory notes shall be issued." The 6th section is as follows: "And be it further enacted, that from and after the first day of August 1834, unless and until Parliament shall otherwise direct, a tender of a note or notes of the Governor and Company of the Bank of England expressed to be payable to bearer on demand shall be a legal tender, to the amount expressed in such note or notes, and shall be taken to be valid as a tender to such amount for all sums above 5 *l.* on all occasions on which any tender of money may be legally made, so long as the Bank of England shall continue to pay on demand their said notes in legal coin: Provided always, that no such note or notes shall be deemed a legal tender of payment by the Governor and Company of the Bank of England, or any branch bank of the said Governor and Company; but the said Governor and Company are not to become liable or be required to pay and satisfy, at any branch bank of the said Governor

Mr. *Anderson*—continued.

Governor and Company, any note or notes of the said Governor and Company not made specially payable at such branch bank; but the said Governor and Company shall be liable to pay and satisfy at the Bank of England in London all notes of the said Governor and Company, or of any branch thereof." I think the justification for this would be, that whilst the notes issued at the branches of the Bank of England are legal tender, they are so because they really are payable at the London establishment as well as at the branch bank.

4750. But the notes issued in London are not payable at the branches?—No.

4751. And yet they are a legal tender all over England, are they not?—Yes, that is so.

4752. If I formed a correct opinion, the tendency of your evidence was that the Bank of England issue was an insufficient currency for the country; I think that a number of your answers turned in that direction?—I think that any single issue must be an insufficient currency for local purposes, unless some means can be devised to make it as exchangeable as local issues are required to be for the conveniences of the public; and I stated that I did not myself see, after looking at the question carefully, how that could be done without very great expense.

4753. I think you said that in country districts a man had to write his name on the back of a Bank of England note before people would take it; is that so?—I stated in the evidence which I gave with regard to the liability to forgery of the Bank of England note, that as a matter of practice in the country, it is considered that a Bank of England note is open to the risk of being forged more than a local note, and that this is shown by the fact that persons take care to know from whom they take a Bank of England note, and they frequently write the name of the person from whom they took it as evidence of that.

4754. But I suppose that no one has a right to demand that anybody should endorse his name on the note before taking it?—Certainly not; the name would not be put on the note by the person paying it, by way of endorsement, but by the person receiving it, simply as a memorandum.

4755. Do you think that the same objection would apply to a State issue?—I think that so far as a State issue was a single issue, it would be open to the same objection unless arrangements could be made for the exchangeability of the note in the country, which it seems to me would be very expensive; and, in fact, I have failed to see how it could be done except through the agency of the existing banks.

4756. I think you said also that the issuing banks having their issue taken away on compensation, would be an unsatisfactory arrangement?—It would be an unsatisfactory arrangement, because it would inflict a pecuniary loss upon the small traders, and in that way it would discourage small transactions and the beginnings of trade; and also because it would be the substitution of a less efficient local currency for one which is practically efficent at the present moment.

4757. If it were carried out on the terms of the Bank Act, would it not also deprive the country of 2,000,000 *l.* of issue?—I do not quite understand the question.

4758. Is it not the case that when the Bank of England is permitted to take up the issue of a country bank, it is only allowed to issue to the

Mr. *Anderson*—continued.

amount of two-thirds of that country bank's issue; and the present country bank's issue being about 6,000,000 *l.*, if the bank of England took it they could only issue in place of it 4,000,000 *l.*; so that the country would practically lose the use of 2,000,000 *l.* of currency?—I think that the country would not lose 2,000,000 *l.* of currency, but it would lose, I think, 2,000,000 *l.* of capital. The law of supply and demand would soon replace the 2,000,000 *l.* of currency which were taken away, but 2,000,000 *l.* of capital would be required extra to carry on the business transactions of the country. The 2,000,000 *l.* is not my calculation, and therefore I speak roughly.

4759. Of course the present issue is not exactly 6,000,000 *l.*, but if it were 6,000,000 *l.* then the deficiency would be 2,000,000 *l.*, would it not?—The difference would, I think, be considerably more than that, because not only would the one-third of that portion that was in circulation have to be replaced, but also a considerable portion of that which is now held in the tills and which would have to be supplied by bank notes and gold; so that it might involve a larger question of capital than 2,000,000 *l.*

4760. The banks of issue, I think you said, accepted the Act of 1844 as a settlement; was it not forced upon them; did they accept it cheerfully?—I should say that the general feeling with regard to the Act of 1844 was that it was a very fair arrangement to make, and the Act of 1844 was carried in Parliament by so very large a majority that I should think that that in itself is evidence that there was not a very strong feeling against it; I think that the numbers were 185 to 30 on the amendment of Mr. Hawes, "That no sufficient evidence had been laid before this House to justify the proposed interference with the banks of issue in the management of their circulation."

4761. What license have you to pay to the Government for carrying on banking?—We pay no license for carrying on banking, except that kind of banking which is included under the terms of issuing notes and drafts on unstamped paper; on that we pay 30 *l.* for every branch, and we also pay a composition on the notes and drafts.

4762. Do you pay 30 *l.* for every branch you open?—The bank with which I am connected having four branches and a sub-branch, which is opened only two days a week, and which, nevertheless, requires the license, is paying for its five branches 150 *l.* a year, which is equal to 10 *s.* per cent. upon the average issue, and the composition is 7 *s.* per cent., so that our present tax is 17 *s.* per cent. upon the issue.

4763. But part of it is in the form of a 30 *l.* license upon each office?—The head office is included among the branches; it is 30 *l.* for every office.

4764. Then the evidence which we had from the Cumberland Union Bank to a contrary effect is a mistake?—My recollection is not perfectly clear what the arrangement was, but I know that up to a certain period there was only a payment for four branches, and then you were allowed to increase the number of your branches without paying any additional license; but at some point (I cannot at this moment say at what point) that was altered, and now we have to pay 30 *l.* for every branch.

4765. I think you said that you would not

Mr. *Seebohm.*

17 June 1875.

Mr. *Anderson*—continued.

fear the competition if issues were made free to other bankers?—Looking at it simply as a banker I should not, though, at the same time, I should deprecate the extension of issues without some sort of limitation. I do not think it would be wise to have a great number of issues in each district.

4766. What would you say about the issue of 1 *l.* notes?—I should object to the issue of 1 *l.* notes upon the grounds of public policy.

4767. Will you state those grounds?—The historical position of 1 *l.* notes in England, I think, is the great reason that I should go upon. It is a mistake to suppose that 1 *l.* notes were for the first time abolished in 1826; they were abolished long before; as early as 1775, the Act of 15 Geo. 3, c. 31, has this preamble, "Whereas various notes, bills of exchange, and draughts for money for very small sums, have for some time passed been circulated or negotiated in lieu of cash, within that part of Great Britain called Englaud, to the great prejudice of trade and public credit, and many of such bills and draughts being payable under certain terms and restrictions, which the poorer sort of manufacturers, artificers, labourers, and others cannot comply with, otherwise than by being subject to great extortion and abuse; be it therefore enacted, that all promissory or other notes, bills of exchange, or draughts, or undertakings in writing, being negotiable or transferrable, for the payment of any sum or sums of money, less than the sum of 20 *s.* in the whole, which shall be made or issued at any time, from and after the 24th day of June 1775, shall be, and the same are hereby declared to be, absolutely void." Then in 1777 there was the further abolition of notes under 5 *l.* under the terms of an enactment which stated that all promissory notes between 1 *l.* and 5 *l.*, must be payahle to order at less than 21 days' date, and not transferrable after the expiration of the time, and also that they must be signed and endorsed before a witness. Those two Acts constitute the first abolition of small notes in England, and it was not until the suspension of specie payments that these Acts were interfered with, and then great care was taken to prevent the suspension from being considered in any way a revival of the system of 1 *l.* notes. The effect of those Acts was, that the 1 *l.* notes were allowed first from year to year, and then at last till the end of the war, and then, when thot came, till two years after the resumptiyn of speeie payments. Then in 1826, after the period of the suspension of specie payments had been got over, the Legislature (think wisely) resorted again to the re-aboition of notes under 5 *l.*, and so it has continued down to the present time. I think that the habit of the people of England has now become so connected with doing their small transactions in coin, that it would be a great pity to interfere with it. At the same time, if it had not been that for such a long number of years 1 *l.* notes had been practically abolished, and if they were now in England as they are in Scotland, the habitual currency of the country, it probably would not be wise to interfere with them.

4768. Then it is only because they have been out of use for a number of years that you think it would be inexpedient to revive them?—I imagine that the real cause why they were abolished was the danger of the gold going out of the country in the case of a war or a foreign drain, and that the practical difference between having a 1 *l.* note and gold is, that in the case of the suspension of specie payments at any future time, that country which has a gold currency will have a larger amount of gold in its coffers when such a provision becomes necessary than the country which has an unlimited issue of 1 *l.* notes. Of course, if 1 *l.* notes were issued in England, there would probably be a portion against securities and a portion against gold, and if in equal proportions, the danger might be halved.

4769. Was not the multiplicity of the issuers one of the objectlons to the currency of 1 *l.* notes at that time?—I have no doubt that it was.

4770. That might be got over, might it not?—I fail to see the advantage of 1 *l.* notes over gold, except it be upon the principle of saving the loss of interest on that portion which is issued against securities, and that is of small moment in a country like England compared with other advantages, so that I think I should shrink from the course of restoring them.

4771. At what do you estimate the gold circulation?—I suppose that it may be roughly taken at about 100,000,000 *l.*

4772. Is there not a great loss of interest in using 1,000,000 *l.* of gold in the pockets of the people that might be saved?—I think that 100,000,000 *l.* without interest is not a very large insurance to pay for the currency being in a right position, and exactly the same argument might probably be applied against the loose monies held in reserve by bankers, that there is a great loss of interest upon them. It becomes a question of where you are to stop in economising the loose money of the country by banking.

4773. Do you sustain any loss by light gold?—There are times when we have done so, but not recently.

4774. In a general way do you pay out more gold to your customers than you take in from them?—At some times of the year we do, and at some times of the year we do not; on an average we pretty nearly meet our own wants.

4775. Then you never require to get gold from the Bank of England to supply your wants?—We often do.

4776. Do you sometimes require to send it back?—We very rarely send it back to the Bank of England; we generally find some London banker or country banker who can take it off our hands.

4777. Is the reason why you send it to some London banker or to some country banker rather than to the Bank of England, that the Bank of England clip all the light sovereigns and charge you for them?—We should have to send up only those sovereigns which were of good weight, and we do not like that policy, because it leaves us the light sovereigns in the country.

4778. Is not the policy of the Bank of England in doing that tending to make the circulation of the country in outlying districts universally light, or nearly so, because you pick out the heavy sovereigns to send up to the Bank of England and keep the light ones in the country?—I suppose it would practically do that if we had to send gold to the Bank of England in any quantities.

4779. Though you yourself may not send a considerable, the aggregate of bankers must send a considerable quantity, must they not?—I presume

Mr. *Anderson*—continued.

ume that to some considerable extent it is done, nd that to that extent it probably does work for time in the way that is described; but, on the ther hand, as the heavy gold comes out again, I lo not know that taking a total of 100,000,000 *l.* he proportion would be much altered.

4780. You do not think that that constant loss n light weight gold is a very great inconvenience nd loss to the country?—It is no doubt an inconvenience, and it is a loss to some extent.

4781. Would not that be saved to a large extent by 1 *l.* notes?—I do not think it would; because I think that the expense of 1 *l.* notes would probably counterbalance that.

4782. Are you aware that the Chancellor of he Exchequer (not our present one, but one we had about three years ago, who was a great uthority on financial matters I believe) stated hat the loss on light gold was 500,000 *l.* sterling?—I do not remember the figures; it would no doubt be a considerable amount.

4783. I think you stated that private banks of ssue can come to London, and open offices there vithout losing their issue?—I believe that, the restrictions being simply upon joint stock banks of issue practically, as the law stands, under the common law they would have the right to come; but I believe it is a right which has never been exercised, and I do not know whether it has ever been contemplated to exercise it.

4784. Would you have any objection to extend that right to any joint stock banks also?—There would be reasons which would make me sorry if that was done. I feel rather strongly that anything which destroys the present local character of banking would be a disadvantage to the public; and I think that one of the great objections to the policy of the Scotch banks coming up to London, and being followed by the larger English banks, would be, that instead of local banking we should have a system of banking with head offices in London, and branches only in the country, and I think that that would not be so advantageous to the country as the present system of banking.

4785. Then you approve of the present restrictions?—I do not think that I should exactly say that, but I think that on the whole they do not work badly.

4786. Have you any suggestions to make as to the general state of the banking restrictions imposed upon the banks of issue, supposing that there were a reversal or reconsideration of the policy of the Bank Acts?—That opens so vague a field of speculation that I should hardly like to attempt to answer the question.

4787. You have no suggestion to make as to restrictions to which you would like to be quit of, or as to others which you think ought to be imposed upon issues?—No, I think not; the only restriction which, as I observed in my former evidence, private bankers are under, which I think is unwise, though perhaps not of any great importance, is the restriction to six partners; and I never could see any justification in reason for it, but at the same time I do not think that it is one which acts very hardly upon them.

4788. Does not the restriction of not being allowed to exceed your authorised circulation on a backing of gold prejudice you?—It does not prejudice those banks which are, as in the case of my bank, very much within their authorised margin.

Mr. *Anderson*—continued.

4789. Then you have no wish to see any change made in that respect, such as adopting the Scotch system and the Irish system of allowing any quantity of issue, provided that there is a gold backing for it?—I think not. At the present moment the English currency is very much in that position; the gold held by the banks of issue being very much in the same proportion to the issue that the gold held by a bank of issue in Scotland bears to their issue.

Mr. *Beckett Denison.*

4790. Have you any knowledge of the Bank Issue Bill which was promoted in 1865, and which failed to pass through Parliament?—Yes.

4791. Did you take part in the discussion of that Bill?—I did.

4792. Will you read the 5th clause of that Bill?—"There shall be repealed, so far as respects any bank of issue undertaking to pay such per-centage on its issue of bank notes, as is hereinafter mentioned, any provision of any Act of Parliament, whereby the number of partners in certain banks of issue is retricted to six, or whereby certain banks of issue are prohibited from having a house of business or establishment as bankers in London, or at any place not exceeding 65 miles from London, or whereby banks of issue are prohibited from issuing or re-issuing, or making payable, bank notes in London, or at any place not exceeding the distance of 65 miles from London, subject to this proviso: that nothing in this Act contained shall authorise any bank of issue to issue or re-issue bank notes within the City of London, or three miles thereof."

4793. Will you read Clause 10 of the same Bill?—"Every bank that has accepted the conditions of this Act in respect of the payment of a per-centage on its issue of notes, and which bank is hereinafter referred to as a privileged bank, shall pay into the receipt of Her Majesty's Exchequer a sum after the rate of 2 *l.* 5 *s.* by the year upon every 100 *l.* of the average amount of bank notes circulated by that bank in every quarter of a year."

4794. With regard to Clause 5, do you know what objection was taken at the time to that clause?—The objection taken by bankers to the Bill was twofold: first, that the tax was too large, and secondly, they objected to any definite term being put to the date of their issue. Their feeling was, that its continuance ought to be left indefinite like that of the Bank of England issue, and that the tax should be less than 2 *l.* 5 *s.*

4795. Then the objections were taken on totally different grounds from those which are contemplated in this clause; that is to say, that all restrictions as to there being only six partners, were to be done away with, and that the limit of 65 miles round London was to be done away with?—That Bill was brought in by Mr. Gladstone in order to prevent the National Provincial Bank of England from having to give up their issue. They had stated to him, that rather than give up their issue they would be willing to pay 2 *l.* 5 *s.* per cent.; and that was the origin of the form in which the Bill first came forward.

4796. Then you think that had the tax upon the notes not been so high, and had the limit of 25 years not been put to the issue, the Bill would not have met with objection?—I forget the exact

Mr. *Seebohm.*

17 June 1875.

Mr. *Beckett Denison*—continued.

terms in which the Bill in its revised forms stood. Part of the body of bankers had withdrawn their opposition to it, but it was upon the understanding that words were introduced which left the end of the term indefinite, and not to come to an abrupt ending in the year 1890, or whatever the year mentioned there was.

4797. I find that I have been quoting from the Bill of 1865 as it was first published, and not as it came out of Committee, and that there is a very material alteration in Clause 10. The proposed condition was this: "Every bank that has accepted the conditions of this Act in respect of the payment of a per-centage on its issue of notes, and which bank is hereinafter referred to as a privileged bank, shall pay into the receipt of Her Majesty's Exchequer a sum after the rate of 1 *l.* by the year upon every 100 *l.* of the average amount of bank notes circulated by that bank in every half year"; the sum stated in the original Bill being 2 *l.* 5 *s.* Would the 1 *l.* per cent. be, in your view, too onerous a charge to accept?—I have already stated that the bank with which I am connected is paying 17 *s.*; and I do not think we should quarrel over the difference of the 3 *s.*

Mr. *Mulholland.*

4798. You say that your issue has not been up to the authorised limit; does that arise from there not being a demand for that issue in the district?—Yes, that would be one way of stating it.

4799. With you, it does not arise from the fear, as one witness stated, of incurring penalties by exceeding the issue?—Not in the least.

4800. Do you find that many of your notes circulate at any distance from your own district?—We cannot trace our notes, for this reason; that they come back to us in a parcel from our London agents, the habit of bankers being to send up all the country notes, say once or twice a week, to their London agents, for exchange through the clearing house, so that we get them in one parcel from London, and we do not see where they have come from.

4801. Can you form any opinion from the notes which are presented to yourself whether the country circulations in England travel far from their own districts?—I should say that as a rule they are kept very nearly within their districts. Occasionally a dealer will go into a distant part of the country, and will bring notes of that part of the country back with him, but they will be immediately sent up to London and returned to the banker, who issued them in the course of the next week certainly.

4802. Then do you suppose that if banks of issue in England, outside the 65 mile district, were allowed to come to London, there would be any fear of their issues competing in any way with the issue of the Bank of England; would their issues be likely to come within the 65 mile radius in consequence of their having a branch in London?—I should say that there would be a certain amount of fear of that kind.

4803. Do you think that that would be so to any important extent?—I think that it would depend a good deal upon the character of the bank. In the case of a bank having a number of branches all over England and the head office in London, I think its issue would follow its branches, and probably would come up to London.

4804. I think in your evidence on the last day you said that none but local issues could be made

Mr. *Mulholland*—continued.

readily exchangeable, but are you aware that i Ireland all the notes are payable at all th branches, and are exchangeable everywhere a all the banks?—That is so; but as I explaine with regard to the Scotch banks, there being 1 *l.* note, the notes of larger denominations ar exchanged, not into coin, but into 1 *l.* notes, an therefore the need for exchanging them into any thing further is not felt.

4805. Are you aware that there is a differenc in Ireland, inasmuch as notes are legally payabl at all the branches?—So I understand.

4806. One of the reasons which you gave fo preferring the English system of banking to th Scotch was, that in Scotland there is a unifor mity of charge, and that in England there is not and I think the illustration which you gave to day as to that advantage was, that when ther was a scarcity of capital in any district, the loca capitalists were enabled to charge more for th money; but would not that be a disadvantage t the trade of that district?—I think not to an great extent, because it probably is not th restriction of capital in the banks which make the rate of interest in the town higher or lower but rather the demands of the town in itself fo capital. For instance, in a rapidly improvin town, where funds naturally go into mortgage on buildings, the rate of interest is raised in th market by that fact; and that would not be class of business into which banking money coul be placed.

4807. Do you not think that it is an advan tage to the trade of the country that the Scotc system (which I may say is the same as the Iris system) enables circumstances of that kind t be equalised; that, for instance, if there be scarcity of capital in one district, and a surplus o capital in another district, the surplus comes int the district where there was the scarcity?—I think, to a very large extent, that also operates i England, and I should think sufficiently so.

4808. So far as it would operate, it woul neutralise the advantage that you quoted a being derived from the English system, woul it not?—I do not quite understand that ques tion.

4809. If I understood your answer aright, yo said that one of the advantages of the Englis system was that, when there was a scarcity o capital in any district, the local capitalists were enabled to charge more for it?—I do not think that I was discussing the advantage of English as against Scotch banking. All I meant to say was this: that it would be impossible to introduce the same uniform system which exists in Scotland into England, from the fact that in England there are great diversities between the different districts.

4810. But if it could be introduced, do you not think that it would be desirable?—I do not think that it would.

Sir *John Lubbock.*

4811. I may have misunderstood you, but I thought you said that you considered that business of certain characters was rather more risky than others, and that consequently a higher rate of charge was necessary in certain cases?—That is right; and I think that, according to the laws of political economy, if you supplied money in a risky district, too low, you would unduly stimulate the trade of that district.

Sir *John Lubbock*—continued.

4812. It was not the difference in the amount of capital, but the difference in the character of the business, that you were alluding to?—Yes, that is so.

Mr. *Mulholland.*

4813. If I understand you aright, your view is that, by having the small transactions paid in coin, and by having the paper circulation limited to 5 *l.*, you secure in that way a fair proportion of the whole circulation, to be economised in paper; that is to say, that there is an economy in capital to the extent of the paper circulation, and that that proportion is as large a one as we should have with regard to safety?—I think that it might very fairly be said that we may have got to the proper limit, but I do not express a very decided opinion upon it.

4814. Supposing that we could ascertain what would be a proper limit in that way, it would be a certain per-centage of the entire circulation, would it not, or would it be in a certain absolute sum?—I think that probably the way in which it would work would be this: that a certain proportion of the circulation only would be issued against securities, and that would be the only portion upon which any saving of interest would be obtained.

4815. But supposing that the entire amount of the circulation of the country from increase of trade, and population increased very much, do you think that that quantity should be still a fixed quantity, or might it fluctuate with the entire amount?—I think that, at all events for a long term of years, the amount of issues against securities should be fixed.

4816. You say that you estimate the present circulation of gold in the country at 100,000,000 *l.*?—I have seen it stated at that.

4817. Suppose, for the sake of argument, that in 1845 it had only been 70,000,000 *l.*, do you think that no consideration should be taken of the extra 30,000,000 *l.* of gold in fixing the amount of paper issue that it would be safe to put in circulation?—I do not see the necessity for any alteration; I think that any saving that can be got by the State out of the circulation by displacing gold and putting in its place a paper circulation, only partially against gold, is not worth the consideration of the Government.

4818. But would not that apply to the whole issue, such as we have at present?—I think it does apply to the whole issue. The amount is limited, and has remained limited since 1844.

4819. Would you consider it to be an advantage or a disadvantage, for instance, that we should have a power to issue that amount at present upon Government securities?—I do not think any one would be appreciably a loser, if the arrangement had been at the beginning to issue the whole amount against gold, provided that by the previous course of events that gold was already in the country, and had not been suddenly found.

4820. In fact you attach no importance to the fact of there being a paper circulation?—I think that the convenience of paper circulation really is, that it prevents the carrying about of large quantities of gold, and that therefore, as in England at the present time, it is well confined to a substitution of paper for large amounts of gold.

4821. I ask the question because I understood you to say, in reply to the honourable Member for Glasgow, that there would be a loss of

Mr. *Mulholland*—continued.

2,000,000 *l.* of capital if the paper circulation of the country was reduced 2,000,000 *l.*; and I thought, from your answer, that you looked upon that as a certain disadvantage?—It is a certain shadowy disadvantage; but, as I said just now, I think it is one that is inappreciable, looking at the small proportion that it bears to the total capital of the country.

4822. Upon the whole the only advantage that you see in a paper circulation is the safety and facility of carrying large sums about, and you lay no stress upon the saving of capital?—I lay no stress upon the saving of capital.

Mr. *Orr Ewing.*

4823. You stated, did you not, that the circulation of gold in England is about 100,000,000 *l.*?—That is the estimate which has been mentioned.

4824. Do you know upon what data that estimate is formed?—I think that I must leave that for some other witness; I have not made it a matter of study.

4825. Are you stating it from the evidence that was given the other day by Mr. Gordon?—It is an impression which I have had in my mind for some years; I believe the original authority for it is Mr. Palgrave's Notes on Banking.

4826. What is the circulation of notes in England?—The total circulation of notes in England, including those of the Bank of England and the local issues, but not including the notes in reserve in the Bank of England, is about 31,000,000 *l.*

4827. Then that would make the circulation in England of gold and notes 131,000,000 *l.*, would it not?—Taking those figures, that would be so.

4828. Are you aware what the circulation of Scotland is?—The circulation of Scotland, I suppose, is about 5,500,000 *l.* in notes; I do not know how much it is in gold.

4829. We have it in evidence that there is almost no gold in circulation in Scotland, and you think with the fact before you that the circulation of Scotland is under 6,000,000 *l.*, that it is likely that the circulation of gold and notes in England amounts to 131,000,000 *l.*?—I really cannot answer that question.

4830. The population of England is about seven times that of Scotland; if you multiply the circulation of Scotland by seven, that would bring it up to about 40,000,000 *l.*; do you think that there is such a vast disparity between the circulation in England and the circulation in Scotland as a difference of 90,000,000 *l.*?—I cannot answer that question, because there may be reasons for it that do not occur to me at this moment. Certainly the disparity does seem great.

4831. Supposing that it is a fact that you have in England a circulation, so much in excess, in proportion to the population, of what it is in Scotland, would you not deduce from that an evidence of the superiority of the manner in which banking is conducted in Scotland, in regard to digging out the money from the pockets of the people, and economising currency?—Before I answer that question I should want to know whether that estimate of 100,000,000 *l.* of gold, included the amounts held in reserve. It may be that we are speaking of two different things, and that the 100,000,000 *l.* is not the amount of gold in circulation, but the actual amount of gold in the country; and without knowing that, I could not answer the question. All I can say is,

Mr. *Seebohm.*

17 June 1875.

Mr. *Orr Ewing*—continued.

that I have no real ground for saying what the amount of gold in actual circulation is.

4832. Supposing that it is correct, as you state, that there is 100,000,000 *l.* of gold in circulation in England, which is so very largely in excess of the circulation in Scotland, would you not deduce from that a conclusion which would be to the advantage of the system of conducting banking business in Scotland?—I should hardly like to answer a suppositious case of that kind.

Sir *Graham Montgomery.*

4833. With reference to the similiarity of charges which banks make in Scotland, to which you seem rather to object, do you not think that it tends rather to the security of banking that institutions such as the Scotch banks, all doing business in the same country, should have a sort of understanding as to the terms upon which customers should be dealt with, and that it leads to greater confidence between each other, and so tends to be better in the end for the public, from there being less risk of banks failing, and of bankruptcies?—I do not see why a uniformity of charge should have that effect. As I said before, I think any rigid law which obliged you to lend money to a risky person, on the same terms as you would to a man who was perfectly good, must be contrary to the law of political economy, and work badly.

4834. The Bank of England, to a certain extent, acts as an indicator of the terms upon which money should be lent, and the Scotch banks, following in the wake of the Bank of England, and making their charges correspond, do you not think that there is some advantage in that, as regards the public at all events, having greater confidence in banks which do business in that way?—So far as I have observed there is always a difference between the rates charged in London by the Bank of England for bank paper, and other discounts; and I should think that that applies throughout England; and as to any rise or fall in the general rate of discount, I should think that English banks are quite as well aware of it, and act in accordance with it, according to the circumstances of their district, probably as much as the combined Scotch banks do.

4835. Do the associations of private bankers in England never discuss the question of the terms upon which business should be done?—So far as I know they have never been discussed.

4836. It is merely for the regulation of what concerns their interest that they meet?—Yes; I do not recollect the question of charges ever having been discussed.

Mr. *Campbell-Bannerman.*

4837. You have stated that you keep considerably within your authorised issue, and I think you said that that was probably mainly due to the circumstances of the locality in which you conduct your business; is that locality not purely agricultural?—Our locality is not purely agricultural.

4838. Is it not in the main agricultural?—We have three agricultural branches, and one, a decidedly commercial one, in the town of Luton, which has about 20,000 inhabitants.

4839. But in the main the position of trade in Hertfordshire and that part of the country is probably, to a certain extent, stationary, is it not, as compared with other parts of England?—I should say that the trade of the agricultural districts of Bedfordshire and Hertfordshire has doubled or trebled, or very likely quadrupled, since 1844. Though those counties have not multiplied in population so rapidly of course as a large manufacturing town, still trade has increased very rapidly, and so rapidly as to show that the depreciation in the amount of issue is not the result of any stagnancy of trade.

4840. I do not wish to say anything in disparagement of the prosperity of your district, but I suppose you will admit that in parts of the country where trade has developed at a much more rapid rate, the bankers may have been hampered in their transactions by the limitation of their issue, although you have not suffered from that cause?—Certainly they have. As I think I explained in the last day's evidence, if you draw a line across England east and west of Lincoln, above that line the issues are up to their authorised limits, and they are so hampered in order to keep them within their authorised limits, that they cannot give those facilities which are given in the south of England, in the way of cashing cheques without charge and so on.

4841. So that although in your own case you have no desire for an additional power of issue against gold or in any other way, you may see that others may have a desire for such a privilege, and that it would be an advantage to the public that they should have it?—Quite so.

Mr. *Leveson Gower.*

4842. I gather from your answers that 1 *l.* notes would meet the difficulty to which you refer, with regard to changing the notes of the Bank of England at the various branches?—Only on the supposition that they were not issued against gold, because if they were issued against gold there would be the same loss in holding a stock of them for the purposes of exchanging notes as there would be in holding a stock of sovereigns.

4843. Supposing that they were kept in reserve in the same way as they are kept in Scotland, only being held against gold when they were issued, to meet the issue of them, which would, of course, not be increased by exchanging the larger notes for the smaller notes, then the difficulty would be met, would it not?—It would.

4844. Then that would be an advantage in 1 *l.* notes, in addition to those already alluded to, would it not?—It would be introducing into the question of issue an entirely different system from that which is at present adopted by the Bank of England. The Bank of England loses interest on the amount of gold and notes which it holds in the banking department. The case put just now would involve that that portion which is now considered as held in reserve should not be considered as issue; it is now included in the accounts as issue.

4845. Your notes, I suppose, are cashed by your agents in London?—Yes.

4846. Is that stated on the face of the note?—Yes, it is stated.

4847. Therefore, there is every facility in the exchange of your notes that there would be if you had a branch in London?—They all go through the clearing house, and are exchanged in that way.

4848. But, I suppose, there is no circulation of your

Mr. *Leveson Gower*—continued.

your notes in London?—I should think not at all, or to a very small extent, at all events.

4849. You stated that there have been only few failures of banks since the year 1844; can you tell the Committee whether any of those failures were failures of banks of issue?—Yes, several of them were, but I could not give you the numbers at all accurately; all that I could give would be the general result, that since the year 1844 the number of failures of banks of issue has been very much smaller than it was before. I had the figures taken out, but they are only done roughly, and I should not like to put them in, because they might not be found accurate.

4850. Do you know whether the notes were actually lost, or were they repaid?—I could not state what was the average payment upon them; no doubt there were losses. With regard to the failure of banks, it is rather a painful subject, and one which ought not to be treated lightly, and, therefore, I should not like entirely to shirk it; but I think that it ought to be borne in mind, with regard to the early failures of banks, the figures of which have been mentioned several times here, that the origin of banking was for almost any shopkeeper in a little town to become the banker of the district, and that it has only been in the course of generations that those shopkeepers have grown into bankers; therefore, you would expect that during the period of the suspension of specie payments, and of continental wars, a great number of those banks which had hardly risen out of very small establishments into larger ones and better conducted ones, would feel the consequences, and that there would be a great many failures. Since 1844, banking has been almost entirely restricted to banking alone, and the cases of persons being in other businesses at the same time are very few; therefore, I should hope that the present position of country bankers is very different from what it was previously to 1844.

Mr. *Sampson Lloyd.*

4851. I suppose that in the course of your business you have many depositors of small amounts; you would not refuse to take in a deposit at interest from a poor person of a small amount, would you?—We have several deposits of small amounts. I do not know exactly what is the limit.

4852. Does your experience as a private banker enable you to say that banks such as your own do not refuse to take in deposits from poor persons, say of 5*l.* or upwards, on interest?—We should treat it as a matter of principle, and we should advise the small depositors of that character, whose intentions in bringing their money were to place it as a permanent investment rather than simply as a temporary holding, to go to a savings bank.

4853. What would be about the limit below which you would not take any deposit?—It would depend upon the customer. We should have, I think, no depositors as low as 5*l.*, and probably none under 10*l.*, and very few between that and 20*l.*

4854. The practice, I suppose, varies in different parts of the country, and also with different individual banks; some banks may encourage small deposits and others may not?—Perhaps the best way of showing that we do not encourage those small deposits is by saying that for a long

Mr. *Sampson Lloyd*—continued.

time members of our firm have been trustees of a savings bank, and that one of our clerks every market day takes the position of secretary of the savings bank, so that there is no sort of rivalry between the savings bank and ourselves.

4855. I suppose you would issue drafts on demand to your customers for almost any reasonable sum on your London agents?—We do that to a certain extent.

4856. From what you know of banks of issue generally, is it not the fact that the amount of issue of any well-conducted bank of issue generally bears a very small proportion to its other liabilities?—A very small proportion, I should say.

4857. You were asked, I think, on the subject of bankers giving security, and you expressed a general approval of the principle of bankers giving security to the State for their issues of notes. If on any one day one customer comes and lodges 10*l.* on deposit, a second customer equally poor comes and gets a draft on demand on the London agents of the bank for 10*l.*, and a third brings you something and takes a 10*l.* note payable to bearer on demand, or two 5*l.* notes, on what principle do you think that the State ought to take paternal care of one of those creditors and not of the other two, by exacting security in the one case and not in the other two cases?—I think that the justification, if there be one, for the State making a different rule for the notes from what it does for the deposits would be rather on this ground, that the note passes not only into the hands of your customers, but also into the hands of third parties who have no connection with the bank at all, and becomes in that way a part of the circulation of the country.

4858. Does not that also apply to the bank's drafts on its London agents; is it not the fact that a bank draft on London at seven days frequently passes through several hands?—I should think to a very limited extent. It is made payable to order, and then it is generally endorsed to the party to whom it is to be sent, and it goes at once out of the district.

4859. In the case of a bank having not a very large capital, which is the case with many banks which are otherwise extremely safe, would it not, speaking as a matter of public policy and justice, be an injustice that a poor person who had trusted that bank upon its credit with a deposit should find that the bank's capital had been ear-marked as proposed, for the sake of giving a preferential security to one class of creditors, leaving the other creditors of the bank without resource?—I should have very great sympathy with that argument, and it is one of the things which induces bankers to feel that there is a great deal to be said against giving security for their notes.

4860. To pursue the subject a little further in reference to the questions that were put by the right honourable Member for the City, about a portion of the notes being secured by gold deposited with the State; would it not be rather unfortunate for a man taking the notes of that bank on the market to find out that a certain portion only of the notes had been secured, and that another portion was entirely unsecured?—I should presume that any arrangement of that kind that was made would include some provision for the absolute security of the notes; I do not think that it would be worth while to do it by halves.

4861. Therefore,

Mr. *Seebohm.*

17 June 1875.

Mr. *Seebohm.*

17 June 1875.

Mr. *Sampson Lloyd*—continued.

4861. Therefore, although, in answer to Question 4655, you said that the objection to giving security for issues would not apply if a portion were represented by securities deposited with the State, you would still feel that there was some objection to applying the principle of security to only a portion of the issue of the bank, and not to the whole of its issue?—As I stated before, my answer to that question was given merely from a banking point of view, upon the point that the securities would be very apt to be a double security.

4862. But from the public point of view you would think that the policy of such an arrangement was at least open to question?—I think that the policy of a half-secured note would be open to very serious objection.

4863. In any proposal of that kind would you recommend that the notes so secured should be made a legal tender, or should they be left just as they are in that respect?—I do not see how a local issue could be made a legal tender unless it were simply within the locality.

4864. Even if secured?—Even if secured. It would be in danger of losing its local character, like that of the Bank of England.

4865. Would it not be a disadvantage to a bank issuing its notes, which are simply private credit, like its bills, which are not legal tender, which nobody is compelled to take, and which, therefore, are not money in the true sense of the term, to have to find two capitals, one being locked up as dead money in consols or other securities which were deposited, and the other being held in its till to pay the notes when presented for gold?—It would be a certain amount of disadvantage. The counterbalancing advantage, however, would be, that there would be a certain portion of the capital locked up, and, therefore, in the case of the failure of the bank there would probably be a larger amount of assets than there would have been if that capital had remained simply un-earmarked.

4866. Does it at all follow that a bank with a very large portion of its capital locked up or impounded would trade any more prudently or with greater freedom from risk than if it had the use of its capital?—The amount is so small as compared with other liabilities that I do not think that it would be of much importance.

4867. I understand that in Scotland the gold against which the notes are held is part of the general assets of the bank liable to its general liabilities; and it has been stated that some of the authorities upon the subject are of opinion that the gold upon which a portion of the Bank of England issue is made, is also not specially earmarked for the notes, but is available for the general credit of the Bank of England; if, as I presume by analogy would be the case in your proposed secured issues, the gold which was held against those notes was also not ear-marked, what would be the advantage to the public receiving the notes of this provision for securing them?—I do not think that such an issue would be justifiable; I think that it would be in the position, as I have already stated, of a half-secured issue, and that if the thing is done at all it had better be done well.

Mr. *Hussey Vivian.*

4868. Is it not possible to regard the transaction in the light of your purchasing consols with the note which you issue?—The answer to that, I think, is this; that if you do so, you have taken away your power of making the note practically convertible into gold in the country. If you have invested the whole of the amount of the note in consols, you have no gold left in the country by that transaction to pay the note when it is presented.

Mr. *Hussey Vivian*—continued.

4869. You would have to sell your consols in order to obtain the gold to pay the note?—Yes, and that could not be done quickly enough to prevent the non-payment of the note.

4870. It is hardly true, is it, to state that consols deposited are dead money; they are carrying interest all the time, are they not?—They are carrying interest all the time, and that is the advantage of that form of security.

4871. Supposing that you discounted bills with the notes which you issued against consols, you would be receiving interest upon that discount, would you not?—The notes probably might come in the next day or the same day.

4872. So that, you think, you would not receive a double advantage in that matter?—Not at all.

4873. Do you think that there is any practical want of increased circulation in the country?—There is not in the agricultural districts, but I think that there is in the large towns. The country issues at present are very largely used in the large manufacturing towns for the purposes of getting coin for wages, and if the amount of the country circulation is not sufficient to meet the uses that the public make of them, there would be room for an increased circulation.

4874. Do you speak from personal knowledge of that fact, or merely from what you have heard; have you any experience of large towns?—I have no experience myself; but I have been in connection with persons on our committee who are bankers in large towns, and the information which they give is, that the note issues of large towns are really within their limits very valuable indeed; that they are used by persons who wish on a certain day to obtain money for wages, and who get the notes of the issuing bank and present them on that morning for wages and receive gold or silver very often, as they want, in return for them.

4875. The wages are commonly paid in gold and silver, are they not?—The wages are commonly paid in gold and silver.

4876. But the gold and silver circulates in each particular district, does it not, being paid into the small tradesmen, and from the small tradesmen being paid again into the bank, so that it is ready the next week for re-issue for the payment of wages; is not that the practical working?—I should think it is; but I mean this: that in the case of a person, for instance, not having a banking account and requiring coin for payment of wages, his practical way of getting that coin is by keeping local bank notes in his pocket until the day he wants the coin, and they are something which he can present at the bank and demand coin for; whereas for Bank of England notes, unless they were notes of the town in which he lives, he would not be able to get gold without charge.

4877. Do you imagine that there are any people who have not banking accounts who receive considerable sums, and have to pay wages subsequently?—I am told that it is so to a very great extent in large towns in Yorkshire.

4878. With small manufacturers or small tradesmen?—I suppose both probably.

4879. Have

Mr. *Hussey Vivian*—continued.

4879. Have you ever been in a country where a small note circulation exists, such, for example, as Austria, where you have to pay *agis* for every atom of gold or silver which you require?—No, I have had no personal experience of that.

4880. Do you think that the country really loses much by light gold, or that the loss of light gold is an appreciable per-centage upon the transactions of the country?—I should doubt whether it is appreciable. It is only in the course of years that the time comes when a large sum has to be paid by someone for it.

4881. The loss is so infinitesimal that you would not take any account of it in considering the question, I presume?—I think that I am hardly the person to answer that question. Some banker who was obliged to send up large amounts of gold to the Bank of England would, of course, feel the loss.

4882. Practically speaking, the currency of a district circulates within that district, does it not, and passes from the person who pays the wages to the person who receives the wages, and from the person who receives the wages to the tradesmen, and back again to the bank; so that it is not customary to send large quantities of gold to manufacturing districts?—At certain times of the year agricultural districts will accumulate gold, and must get rid of it to a certain extent. At other times of the year they want gold for wages, and have to get it from other places.

4883. That is in regard to agricultural districts, but I was speaking of the great manufacturing districts of the country; the gold and silver circulates practically within such districts, does it not?—I believe that bankers in the manufacturing districts have often to send a considerable distance for coin.

Mr. *Anderson.*

4884. Do you charge your customers for light gold?—We have not taken any consideration with regard to light gold for many years.

4885. You do not weigh the gold that comes in to you?—Certainly not.

Mr. *Hussey Vivian.*

4886. In what way are the small accumulations of your district permanently invested?—There are the savings bank and the Post Office Savings Bank; and, unfortunately, there are friendly societies.

4887. Are there any building clubs?—Not many; in an agricultural district they can hardly be made to pay.

4888. Do you think that any great disadvantage exists in your district from the banks not receiving small deposits?—I do not see how it could be, because there is the Post Office Savings Bank.

4889. The Post Office Savings Banks practically supply that deficiency, you think?—I should think they do.

4890. Do you think that any advantage to the country would accrue from what has been called draining it of its savings?—No; on the contrary, I should go even further, and I should say that it is a mistake that the permanent investments of the working classes are, even in the hands of the State, in the form of deposits; I would much rather see them put into small purchases of consols.

4891. You would much rather see the small accumulations of the working classes in the hands of the State, than in the hands of banks, however solvent those banks may be?—I do not like permanent investments to be in the hands of any bank at all, whether that bank be a State bank or a private bank; and I think that the permanent investments of the working classes would be much better put into the form of investments in consols, through the Post Office, than held by the Post Office, as a bank.

4892. What is the distinction in point of security; the country is liable, in both cases, is it not?—The country is liable in both cases, but in the one case the State pays only 2½ per cent., because it is holding the money as a deposit, whereas if it were a permanent investment, it would give 3¼ per cent.

Sir *John Lubbock.*

4893. It is liable, in the one case, to pay the money at call, and in the other case it is only liable to pay interest; is not that the difference?—Quite so.

4894. What you object to is the large sum standing at call?—What I mean is, that money which is real savings, and which ought to be permanently invested, is invested on a vicious principle if it is put anywhere, whether in the hands of the State, or in the hands of a banker, at call or at a short date.

Mr. *Hussey Vivian.*

4895. But the investor has the security of the country for his investments in both cases equally, has he not; and not more so in one case than in another?—If it is placed with the Post Office Savings Bank he has the security of the State, just as much as if it is invested in consols, but he does not get the same rate of interest.

4896. Then the simple difference is, that he does not get the same rate of interest?—That is a great difference.

4897. But he has the advantage of withdrawing his money whenever he pleases?—Yes.

4898. Would it be possible for very small investments, such small investments as are made in the Post Office Savings Bank, to be made in consols?—I believe that it would be not only possible, but probably a source of some amount of revenue to the State, and certainly it would be very much freer from risk than the present system of their being held in the form of money payable at call.

4899. What do you consider to be the risk of money held by the State at call?—I consider it to be this: that it is marked by the fact that you cannot pay more than 2½ per cent. upon it, whereas upon your permanent loans you pay 3¼ per cent. I mean the risk to the State.

4900. Then you consider that taking large amounts at call to be a risk, and an improper proceeding?—I think that it is a mistake for money which is really permanently saved, and which ought to be placed in permanent investments, to be in the hands of banks, whether those banks are savings banks, or larger banks, or the Bank of England, or the State Bank, the Post Office Savings Bank.

4901. I presume that the security of the State is a better security than any other security, is it not?—It is a perfect security; but the State runs a risk of losing by it, and, therefore, it pays a smaller rate of interest than, according to the laws

Mr. *Seebohm.*

17 June 1875.

Mr. *Hussey Vivian*—continued.

laws of supply and demand, the rate of interest on money permanently invested is.

4902. Then the loss comes back upon the taxpayer?—In case of a loss it would.

4903. What proportion do you consider that the bullion and bank notes held by a bank ought to bear to its liabilities?—I do not think that I could state a proportion; it must depend entirely upon the position of the bank; I think that a bank half-an-hour's, or an hour's, distance from London need not keep so large an amount as a bank which is a day's distance from London.

4904. What do you think should be the proportions kept by a bank a day's distance from London?—I do not think that I could name any proportion that would be safe; it must entirely depend upon the character of the bank, and upon the business of the bank.

Chairman.

4905. It would differ at different times of the year, perhaps?—Very much so.

Mr. *Hussey Vivian.*

4906. What proportion do you think that the Government securities held by a bank ought to bear to its liabilities?—That is again a very difficult question to answer, because there are certain times when Government securities are the most difficult things of all to hold; when they are falling in value.

4907. Still I suppose that there are general rules which are recognised as sound banking?—So far as I know those rules, I should say that they lie rather in this line: that supposing that you take the total assets of a bank, that bank ought not to lock up in loans to customers more than, perhaps, one-third, and that the other two-thirds should be held, a portion on securities and a portion in the form of loose money and coin.

4908. Then you would not think that, reversing that order, two-thirds lent to customers and on discount would be a sound or proper state of banking?—I certainly should not say that in my own neighbourhood, two-thirds lent to customers would be sound banking.

Chairman.

4909. With regard to the Act of Geo. 3, the preamble of which you quoted, I think that there was some reference to the inconvenience of the conditions on which the 1 *l.* notes were issued; do you know at all what those terms and restrictions were?—I believe that they were as regards the date at which they were payable; they were not payable on demand.

4910. Was there any interest upon them?—In some cases I believe that there was interest to run from the day of demand.

4911. Therefore, so far as that Act goes, it refers to a different kind of note issue from that which we should contemplate as note issue payable on demand?—It does, and the same is the case with the later Act of 1777; but still 1 *l.* notes on demand were equally prohibited by the Acts of 1775 and 1777.

4912. Is there any reference to notes payable on demand at that time?—The reference is this: that on and after June 24th 1775, all promissory notes, &c., for less than 20 *s.* were to be void, and all already issued were to be payable on demand, and enforceable after three days default.

Mr. *Backhouse.*

4913. If security were given for the private issues in England, I take it that the notes would be marked in some form as secured notes, would they not?—I should think that that would probably be the case.

4914. In that case you would lose the advantage of the un-issued notes which at present take the place of till money, would you not?—I should think not. I do not think that it would at all necessarily follow.

4915. Is it not the case that in the north of England, where the banks have not a sufficient issue for the amount of their business, they hold more coin and bank notes than the total amount of their issue generally?—I should think that their business would bear so very much larger a proportion to their issue than is the case in the other districts, that no doubt the amount of coin which they hold is quite out of proportion to their issue.

4916. With regard to the gold that is in circulation, is it not the fact that railway companies take a great deal of gold out of the country districts?—I should think it is.

4917. Is it not the fact that, owing to the large amount of gold circulating in England, and London being the general centre of gold operations, the Scotch banks are enabled to employ their money more fully, and to put more money out at interest than they would be able to do if they had not England to fall back upon for their gold when they require it?—I should think there is no doubt of that.

4918. With regard to the allowance of rates to depositors, so far as I understand your evidence, you do not think that it is desirable that temporary investments at high rates of interest should be offered to depositors?—I should say distinctly not.

4919. The offer of higher rates of interest involves either the employment of the banker's money too fully, not leaving sufficient reserve, or else it induces him to take risks in order to get a higher rate of interest, does it not?—That no doubt would be the operation.

Mr. *Orr Ewing.*

4920. What do you call a high rate of interest?—Of course it depends upon what the rate of money is. The rate of interest in our part of the world is 2½ per cent. on deposits.

4921. Do you call 2½ per cent. a high rate?—That is the rate that we give.

4922. Do you call it a high rate?—From the fact that it is the rate that we give, I should say that it is the right rate.

4923. You do not mean by a high rate a higher rate than ought to be given?—Certainly.

4924. Do you think that banks that take deposits give a higher rate than they should give?—I should not like to give an opinion upon what is done by other bankers, but I think that the tendency of looking to deposits, that is to say, money left at interest, as the great source of your profit, would certainly involve very great temptation to offer higher rates than were right.

Mr. *Backhouse.*

4925. When, owing to peculiar circumstances, the bank minimum charge is very high, do you consider that it is desirable for bankers to allow a proportionately high rate of interest?—I should say

Mr. *Backhouse*—continued.

say certainly not, but I do not mean to say that I should not raise it at all.

4926. Is not the safer line for interest on bankers' deposits, the rate of interest which is obtained from consols, than a rate which fluctuates like the Bank of England minimum?—I should think that any payment at all above that would tempt permanent investments into the banks rather than keep them to their legitimate sphere.

Mr. *Orr Ewing.*

4927. May I ask what is the amount of your deposits?—Being a private banker I am afraid that I must decline to answer that question.

4928. Would you mind stating what your capital is?—We have sent in our return; but I may say at once that I am bound by my conditions of partnership not to divulge any of the secrets of my bank.

4929. You think that circumstances might arise in which bankers may give too much for their money on deposit; but you are not prepared to say that it is the case at present with bankers in conducting their business?—I should rather put it in the first way than in the second.

4930. That it is the tendency rather than the actual fact?—Quite so.

4931. If there were no deposits in the hands of bankers, how would the public receive loanable capital?—By more capital being put into the banks.

4932. You think that the banks should have capital adequate to conduct their business and no deposits?—I think that if a bank lends more than the proper proportion of its deposits to its customers, it should put in more capital in order to meet the increased demand for money, which is practically locked up at the time.

4933. You must consider that the system upon which the joint stock banks in London are conducted, the London and Westminster for instance, where their capital is very small and their deposits enormous, is very dangerous and erroneous?—I think that it entirely depends upon the amount of reserve which they hold, and the amount of capital which they have in reserve among their shareholders in case of emergency.

4934. But the principle, so far as deposits are concerned, you consider to be bad?—I consider that if it is carried to such an extent that money which ought to be permanently invested is put into the hands of a bank, it is a system which may some day prove dangerous to this country.

4935. But do you think that that system, as it is conducted just now, is dangerous to the country?—As I said before, I would rather say that I fear the tendency than give an opinion upon it. I do not feel that as a country banker I have any right to give an opinion as to London banking.

4936. Is it not considered, generally speaking, that deposits are the foundation of all banking?—If by deposits is meant deposits at interest, I should say not. I think that the foundation of all banking is the collecting of the money which would otherwise be lying in the tin boxes of your customers, into one amount, and then your being able to invest or to use at interest a limited portion of that amount, taking care not to go too near the margin so as not to be able, if it is redemanded, to pay it back.

4937. You think that deposits would be perfectly safe if you were not paying any interest for them?—The safety of that is in this: that there is no temptation to people to leave more than their loose balances with you if no interest is given.

Mr. *Orr Ewing*—continued.

4938. Are you speaking in the interests of bankers or in the interests of the public, in answering as you have done?—I am speaking in the interests of both. I think that so long as a fair business is to be done on safe lines of trade, it is better both for the banker and for the public that it should be so conducted.

4939. That deposits do not receive any interest?—I do not say that. Even in the case of agricultural banks there are a certain class of deposits at notice, which receive interest, What I say is this: that anything which tempts people to leave too much upon deposit, and to look to a deposit in a bank as a mode of permanent investment, is a policy of which I should fear the consequences in the long run.

4940. Would you not raise the interest upon deposits, according to the value of money in the market?—I do not say that I should not follow it at all, but I should raise it slowly.

4941. More slowly than at present?—I think that practical bankers ought to be the persons to find the *via media*, which is safe.

4942. Do you take in deposits?—We take in deposits.

4943. Do you give interest upon them?—We give interest upon them.

4944. Do you give as much interest as is given in London?—Our rule is to give pretty nearly a fixed rate of interest. Our rule is to give no interest upon money which is placed at call on current accounts, except in very exceptional cases; and we consider that the fact that money is put at, say 14 days notice, is a reason why that money should receive interest, while the other, which is at call, does not.

Mr. *Backhouse.*

4945. With regard to the questions of the honourable Member, is it not a fact that the deposits in a banker's hands are of very various characters; that in one case they are floating money, which a man does not require for a few weeks; that in another case they are savings, gradually accumulated for the purpose of investment; and that a third class are deposits left for investment?—Yes.

4946. And it is only with regard to the last class that you think it is undesirable that by allowing a high rate of interest they should be tempted to increase the amount in the hands of the bankers?—That is exactly what I mean.

4947. With regard to the two first classes, it is desirable that the amount should be increased as much as possible, is it not?—Quite so.

Sir *Graham Montgomery.*

4948. Do you think that it would be of advantage for the public, as enabling them better to judge of the banking institutions, if Parliament were to call upon every bank which has an issue, to publish its accounts annually, and to make a return to some department of the Government, giving a full statement of its liabilities?—I should, as a private banker, object to that, and on this ground: that I think a banker, and particularly a private banker, dealing in a district which is not very large, is under a special obliga-

Mr. *Seebohm.*

17 June 1875.

Sir *Graham Montgomery*—continued.

tion not to do anything which shall reveal his customers' accounts; and that any large transaction, which probably might be perfectly justifiable and perfectly right for him to make in time of panic, he might be prevented from making, if making it would for the time so alter the statement that he had to publish, as to lead him to think that it would injure his bank if it were known.

4949. But having the privilege of issue, do you not think that it would be reasonable on the part of the State to call upon an institution which has this right of issue, in the security of the public, to publish its accounts annually, and to make a return of them to Parliament?—I do not see that there is any connection between the issue and the necessity of publishing the accounts. As I have already stated, I think there is something to be said for securing the notes, and when the notes are secured, I think there is no further ground which can be urged for publicity.

Mr. *Anderson.*

4950. I think that you are in favour of making the note issues a first charge upon the estate?—Personally I have no very strong feeling as to the way in which the note issue should be secured; but I think that probably a means might be devised which would be less objectionable than those which have been generally mentioned.

4951. And you think that that is one?—I think that that is one, though I confess that I do not like the idea of making a difference between one class of your creditors and another.

Mr. *Beckett Denison.*

4952. For instance, a depositor would have just as much right to be paid, would he not, as the holder of a note?—Yes; the only point is, that your note may pass into the hands of a third party who is not your customer, and who, therefore, did not take it direct from you.

4953. But in the case of a run upon the bank, you could not possibly, in practice, draw any distinction between the depositor and the holder of a note; and the man who first came to you could claim what was his, could he not?—Certainly.

Sir *John Lubbock.*

4954. With reference to your remarks about deposits, I suppose that, like other private bankers, you readily take deposits from your customers, and allow interest upon such deposits; but that the impression which you wished to convey to the Committee was, that you thought the amount should have some reference to the capital of the bank?—No; what I wished to convey was rather that there is a distinction between that money which is placed with a bank, instead of being invested, owing to the high rate of interest offered, and that money which is practically banking money, which is waiting for investment, or which is simply loose money held for a short time, and which will be wanted by-and-bye.

4955. You have been asked some questions with reference to the probability of forgery in the case of 1*l.* notes; do you not think that it is an important element in the question, that in Scotland the banks only issue their own notes, and that, consequently, the 1*l.* notes come rapidly back to the issuing banks?—I think that

Sir *John Lubbock*—continued.

makes a very great difference indeed. In the case of a single issue, the time that would elapse before the forgery was discovered, by the notes coming into the office from which they were issued, would be a most serious objection.

4956. Consequently, if 1*l.* notes were issued by the bank of England, the condition of things would be very different, would it not, from that which exists in Scotland and Ireland?—I think so.

4957. I presume, that any proposal to meet the case which has arisen with reference to the Scotch banks, by enlarging the privileges of the English issuing banks, although it might meet the complaint of the English issuing banks, would tend to aggravate the injustice which is complained of by the English non-issuing banks?—I should think it would, decidedly.

4958. In fact, I understand the general tendency of your evidence to be, that you consider that in order to meet the justice of the case, either the Scotch banks' privileges should be extended to all English banks, or that the privileges of the Scotch banks should be withdrawn, or that the Scotch banks should be restricted within their own area, unless they were prepared to abandon their special privileges?—Yes; I think the third is the alternative which most recommends itself to my mind. It seems to me that, being the possessors of a local issue, their banks must necessarily be of a local character; and, whilst practically there is no law to prevent private banks from coming to London, yet I should very much deprecate private banks of issue having London offices, because I think that it would tend to destroy the local character of the bank, and it is the local character of the issue which I have rather pressed as its great advantage.

Mr. *Stephen Cave.*

4959. I suppose you would consider, would you not, that the payment of interest upon deposits on sums held for a short time induces bankers to send money at call to discount houses?—Not only to discount houses, but to banks where interest is offered.

4960. Bankers who give interest upon deposits on sums held for short periods, must themselves make interest, to enable them to pay interest?—Quite so.

4961. To do that, do they not habitually leave large sums at call in the hands of discount houses who have become a very much larger interest of late years than they were formerly?—Yes; I should have said that the danger was that, having a large interest to make, you must go into a rather more risky kind of security in the employment of your money to make the margin of profit over and above the rate which you give.

4962. Not only that; but you must put your money in places from which you can get it at very short notice, must you not?—You ought to do that; but the temptation is, in order to get the higher rate, to lock up the money in too permanent investment; and that was chiefly the cause of the failures in 1866.

4963. Was not an aggravation of the panic caused by all the bankers who had money in the discount houses calling it in immediately, and sums being held at call?—Of course that to a certain extent may have aggravated the panic, but

Mr. *Stephen Cave*—continued.

but I do not see how that is possibly to be avoided.

4964. It would be avoided, would it not, if either a very much lower rate of interest, or no rate of interest at all was given on deposits?—Practically a banker must do something with his money; and money lodged with a good bill broker, with good bills against it, is probably in the safest shape in which it can be put, so as at the same time to be readily got at.

4965. Does it not depend very much upon the term for which the money is deposited with the original banker bearing interest; if interest is given upon sums deposited for a very short period, more money must be left out at interest with bill brokers or discount houses, must it not?—A smaller proportion of money which is at call ought to be locked up at long dates, than of money left at longer dates with the bank itself; but I do not think that I quite caught the meaning of the question.

Mr. *Seebohm.*

17 June 1875.

Mr. *Sampson Lloyd.*

4966. You were asked by the honourable Baronet, the Member for Maidstone, as to the opinion of the English banks of non-issue on a certain point; may we understand that your answer to that question was your own opinion, or does it represent in any sense the opinions of the banks of non-issue?—I am in no sense the representative of the banks of non-issue.

The Honourable ALEXANDER LESLIE MELVILLE and Mr. JAMES SIMPSON FLEMING called in; and Examined.

Chairman.

4967. (To Mr. *Melville.*) YOU are the Chairman, are you not, of the Association of Country Bankers?—Yes, I have the honour to be so.

4968. You have taken a great deal of interest in the question of the proceedings of the Scotch banks in establishing themselves in England, have you not?—I have; I am frequently in Scotland, and I have the opportunity of seeing and knowing more than many people what is going on there, and what is done by their banks.

4969. When was your attention first called to the intention of any Scotch bank to come into England?—It is above a year ago; it is only as to country banks that I speak. Above a year ago, Mr. Wade wrote to tell me that the Clydesdale Bank was going to establish itself in Cumberland, and he called my attention to the fact; I then wrote to the Clydesdale Bank, and said that we English bankers should be quite united in opposing it; that I considered that it ought to be only after due thought that that bank should come into England; but that if they came into England, I could assure them that we should oppose their coming to the utmost. They answered and said that they had made all their arrangements, but that they had not opened yet; but the next day, or the next but one, they opened their branches in Cumberland.

4970. Have you any doubt as to the legality of their coming to England?—I have very great doubt; I may say as to that, that I was a banker in the days of Sir Robert Peel's measure, and I have before me my petition at that time, and I feel confident that if Sir Robert Peel had intended to allow Scotch banks to come to London, or into England, it would have been expressed in his Bill; I cannot think that it would have been avoided.

4971. Had the matter been considered at all by the English banks in 1844 and 1845?—Not at all. I never heard of it then.

4972. Did the English banks consider themselves at all interested in the Scotch and Irish Acts which were passed?—Not at all; we held aloof after our own was settled.

4973. You thought that that was a matter which did not concern you, and which only concerned those two kingdoms?—Exactly.

4974. And you believe that that was the general impression?—Quite so.

Mr. *Backhouse.*

4975. Have you any statement to make with reference to the Scotch charges?—Yes. There is a prevalent idea in Scotland, and I think that it is very general, that Scotch banking is very different from English banking; that they allow interest upon deposits and current accounts, and that we do not do anything of the sort; whereas my own bank has always done it. We have been established now for 100 years, and during those 100 years we have been issuing our own notes, and we allow interest on any account that comes if anybody likes to have interest. If a person prefers keeping a respectable balance and says he had rather not have interest for it, we give no interest; if, on the other hand, he says he would rather have interest, then we give it. For instance, Sir William Ingleby, a well-known man, said to me one day, "I understand that you allow interest to some people, but you do not allow it to me. How is that?" I said, "Well, Sir William, if we allow you interest we shall make some charges; but if we allow no interest we make no charges. But if you ask for interest, we will give it you." He said, I do ask for interest." I said, "Very well." From that time that account, which had been a very poor one before, became a very good one, because the temptation of this interest induced him to place more money in our hands. We had two large accounts come lately; one of them says, "We do not want any interest; we want to keep a good balance with you; we want you to find us cash to pay our workmen." I said, "It is one of my principles to find anybody that keeps an account with me, any sort of cash that he wants. We shall be happy to have the account upon your terms;" and that has proved a very good account. If we allow interest, we make such and such charges, and those charges are similar to the Scotch charges of which you have a table. There are some petty things there that I should never think of; such as differences which are made according to who presents a cheque; if it is a son or a servant, then they do so and so; but if it is the butcher or the baker, they do such another thing. Now I think that a cheque is a cheque, and that it ought to be paid to the amount that it bears upon its face without any charge. But we cannot manage that with the Scotch banks; and I have a case here which I will

Hon. *A. L. Melville* and Mr. *Fleming.*

Hon. *A. L. Melville* and Mr. *Fleming*.

17 June 1875.

Mr. *Backhouse*—continued.

I will give you, for it is a strong illustration. We had upon the 15th of last month, to receive a sum of 10,350 *l.* from Scotland, and it was in the Royal Bank. The Royal Bank write to us, and say that we can have it in three different ways. The solicitor who acted for our clients had this letter sent to him, and he chose his own way; and by the way he chose, it cost him 18 *l.* 2 *s.* to bring the 10,350 *l.* to London; we get possession of it less that amount. He might have done it cheaper, but I suppose he did not like to do so because he would have had nothing to show, and I suppose he was acting for somebody else, but I do not know. The three ways were these:—(1.) Ten days' draft, and 5 *l.* 4 *s.* for stamp interest at 3½ per cent. (we take it at the rate of the day) 12 *l.* 18 *s.* (2.) Seventeen days' draft free of charge, 19 *l.* 16 *s.* 10 *d.* (3.) Paid over in London in 13 days after receiving the money, the charge then would be 18 *l.* 2 *s.*; those are the three. He chose, as I say, the one which cost 18 *l.* 2 *s.* Very soon afterwards, indeed last week, I had this somewhat similar case. We had the charge of selling a property near Oxford; I sent my son to receive the deposit, and he received the deposit, which was 11,000 *l.* Most of the property was purchased by one man, who gave his cheque upon the Union Bank of London for 6,000 *l.* or 7,000 *l.* That was paid the next day without any charge. The rest consisted of cheques chiefly upon Parsons of Oxford and upon other local banks there; we took those cheques to Parsons, and said, "We want them paid in London;" and Parsons said at once, "We shall be happy to do it; we will give you our cheque upon London;" and that was paid the next day. That is the way we do business in England.

Chairman.

4976. Was it paid without charge?—It was paid without charge. The great difference in principle is this: that we charge our customer, whereas Scotchmen charge the holder of the cheque. The difference in these cases which I have described is, that in the one case the money was paid without charge, and in the other case it cost 18 *l.* to get it. What I argue from that is this: Scotchmen come here, and they tell us how very cheaply they do business; I think they were going to save our country a million or a million and a quarter if they came and did business here. What is the fact? It is, that these Scotch banks make Englishmen pay a commission and not their own Scotch customers; and then they say, "How very cheaply we do business in Scotland."

4977. Is that the reason why you object to a Scotch bank or the branch of a Scotch bank coming into competition with you more than you would object to a branch of an English bank, say the National Provincial or any other, coming into competition with you?—As to that, I may state that we have five branches, and at different points we compete with four different joint stock banks; so that if we are charging too much, it is for them to pull us down and put us in order, I suppose. But if there comes a Scotch bank to compete with us, one thing that I object to is, the great advantage that it has in the circulation of 1 *l.* notes, amounting to two-thirds of its whole circulation, which we are not permitted to have; and the other is the privilege of issuing against gold, which it holds for all purposes, as I suppose; whereas we are tied to a certain amount, and if we exceed it we have to pay tremendous penalties.

Chairman—continued.

4978. But he cannot do that in England?—No; but he brings with him the proceeds of those advantages, and comes to compete with us, as we say, not on fair terms.

4979. That is to say, he has acquired wealth in one place, and he makes use of that wealth in competing with you in another place?—Yes; and he goes on acquiring it from day to day.

4980. If he was carrying on another business and acquiring wealth in any other way, could you object to his coming and making use of the money that he had gained in some other way to compete with you?—That would be the case of the joint stock banks; they are very wealthy, they have very large funds, and they come and compete with us.

Sir *John Lubbock.*

4981. The Scotch bankers' monopoly enables them to make you charges, which you are not enabled to resist, does it not?—That is so.

Sir *Graham Montgomery.*

4982. Does the fact of their having branches in London make any difference, because they have been doing the same thing for years past, by means of their correspondents?—I have given you the contrast of the two cases. I think that this Scotch charge of 13 days has arisen from olden times. I think I have been myself the best part of a week in getting up to London; in those days letters came slowly, and so on; and owing to that they got into this custom. I think I can recollect a certain Mr. Maberley going to Scotland and setting up something there; and the consequence was that their charges were reduced one-half, or something of that sort; but if you look at it practically, you will see what it is. They post their letters before five o'clock in Edinburgh, and those letters are delivered the next morning in London; I can post my letters up to seven o'clock (but it is always done before five o'clock, because my business is shut up by that time), and my letters are in London the next morning. If I hold a cheque upon a Scotch bank they take 13 days to pay it, especially this Royal Bank which has its branch in London; it only has to walk across the street to Smith, Payne & Co.'s., and settle the matter. We, English banks, if they hold a cheque upon us, what do we do? We pay them off-hand at once in London, and charge nothing. Our charge is made to our customer, which I say is the proper thing. A curious instance, which you may think slight and trifling, occurs to my mind; but it shows rather the Bank of England feeling about this. The Bank of England, years ago, used to make a slight charge for making payments in London. On one occasion we sent their branch bank at Leeds a cheque and they paid us the 50 *l.*, or whatever it was, less 1 *s.* I wrote and asked why the cheque was not paid in full, and the answer was that the 1 *s.* was their charge for paying the money over in London. I said to my head clerk, "Now be on the look out, and as soon as the Leeds branch of the Bank of England send us a cheque let me know." He told me, and I said, "Pay it, less 1 *s.*"; so we sent the amount less 1 *s.* They wrote very indignantly, and asked, "Why is the cheque not paid in full?" I said, "If you refer to such a date and such a cheque, you will find that you charged

Sir *Graham Montgomery*—continued.

charged me 1 *s.*, and if you charge me 1 *s.*, I shall charge you 1 *s.*" They were very angry at this, and they wrote me a huffy letter, and said they should refer it to the Bank of England (the Bank of England, you know, is a great authority with all of us); I said, "It is the very thing that I want you to do"; and they referred it to the Bank of England, and I have never had it charged since.

Mr. *Anderson.*

4983. Upon your remittance of 10,300 *l.* to London, you said that you were informed that there were three different ways of remitting the money; all at a certain number of days' distance; are you not aware that instead of that you might have got a draft on demand for 1 *s.* per cent., with only a penny stamp to pay?—Here is the case. They would have given us a draft at 17 days, free of charge, and that would have cost 19 *l.* 16 *s.*

4984. But a draft of 17 days requires a stamp? —No, it was without a stamp; they pay the stamp, I suppose. Here is the Royal Bank's own letter.

4985. That letter mentions those three ways? —Yes.

4986. And it names no way in which you could get a draft on demand?—I will read it to you: "We can remit you this amount by draft on London at 10 days' date, less 5 *l.* 4 *s.* for stamp, or at 17 days' draft free of charge, or we can order the amount to be paid to your London agents on the 28th instant, free of charge."

Sir *Graham Montgomery.*

4987. Would not the cheapest plan of all have been to have sent a man down to Edinburgh, who would have brought back Exchequer Bills? —In the first place, I should say that it would be a great advantage, and that it is worth the consideration of this Committee whether it would not be a great improvement that Bank of England notes should be a legal tender in Scotland, and that Scotch banks should be obliged to pay Bank of England notes. The only thing that they will give us is gold, and 10,000 *l.* in gold involves the expense of sending a man down to fetch it, and the risk of bringing it, and the whole thing. It is almost better for us to pay this 13 days than to incur that.

Mr. *Anderson.*

4988. I think you said that you had looked at the printed charges as to that particular charge about remitting to London?—It is in the letter.

4989. You will see in the tables another mode of remitting to London for 1 *s.*, and a 1 *d.* stamp; so that your charge for remitting on demand would have been 5 *l.* 3 *s.* 1 *d.* in place of 18 *l.* 2 *s.*? —The parties that were to receive this money knew that there was a charge on receiving money from Edinburgh, so that they came to us and asked us if we would ask the Royal Bank of Scotland upon what terms they could remit it to the best advantage for them. We wrote to make that inquiry, and this is the answer to the letter: "We were duly favoured with your letter of the 13th instant, and have to-day received the sum of 10,350 *l.* on your account from Messrs. Newstead & Wilson. We can remit you that amount by draft on London at 10 days' draft, less 5 *l.* 4 *s.* for stamp, or at 17 days' draft free of charge, or we can order the amount to be paid to your London agents on the 28th instant, free of charge."

Mr. *Anderson*—continued.

Mr. *Campbell-Bannerman.*

4990. Did you not ask in the letter to which that is a reply, in what way the actual sum in question could be remitted to London without any deduction?— Mr. Fleming, of the Royal Bank, answers me that he is going to charge me these 13 days that came to so much. It is his answer, and not mine.

Mr. *Backhouse.*

4991. The real fact is, that in transactions for the completion of a purchase of property in Scotland, you had to pay a commission to get the money into Lincolnshire, whereas in a similar transaction at Oxford the money was paid to you without charge?—Yes.

Sir *John Lubbock.*

4992. And that would have been so in any part of England?—It would have been so in any part of England, and we should pay it ourselves.

Mr. *Orr Ewing.*

4993. Supposing that you had 10,350 *l.* in your bank, and that you wished to place it in Scotland, what would have been the charge for doing so?— If our customer had drawn a cheque for 10,350 *l.* and the Scotch bank sent that to us, we should pay it without any charge at all next day.

4994. You were bringing this 10,350 *l.* from Scotland; but supposing that you had wished to send it from England to Scotland to the credit of your customer there, what would you have charged? —We charge nothing to the person who holds the cheque; we charge our customer.

4995. But supposing it is not a cheque, but that the money is in your bank, and that you are ordered to send it to the Royal Bank of Scotland, what would your charge be in such a case?—It depends in the first place upon what amount of money is in.

4996. Supposing all the circumstances to be the same as you have described, and that you had been in the place of the Royal Bank, what would have been your charge?—I should say that in an ordinary case we should charge nothing. If it is a customer of ours we should charge nothing, but it makes a great difference, of course, if a stranger comes in; but I do not quite understand your question.

4997. Is the Royal Bank a customer of yours? —No; the party to receive the money was a customer of ours.

4998. But he was not a customer of the Royal Bank?—I do not know. They say they have got it from Messrs. Newstead & Wilson; who they are I do not know.

4999. Supposing that the Royal Bank had been getting that money from you, what would the Royal Bank have paid you?—Nothing.

5000. You send down money to Scotland for nothing?—Yes.

5000.* Supposing that the Royal Bank had been getting that money from you, what would the Royal Bank have paid you?—Nothing.

5001. You send down money to Scotland for nothing?—Yes. I should have added without charge to the receiver. If we allow no interest, we make no charge at all. If we allow interest, we make a charge of 2 *s.* 6 *d.* per cent. on such a case as

Hon. *A. L. Melville* and Mr. *Fleming*.

17 June 1875.

Mr. *Orr Ewing*—continued.

as that put of the Royal Bank, or pay in 13 days as they did. The real difference is, that the Scotch Banks charge the party receiving, and we the party paying, as I explained before. We pay the full amount due, they pay it subject to deductions.

Chairman.

5001.* (To Mr. *Fleming.*) Can you explain the circumstance to which Mr. Leslie Melville has referred?—I shall be very glad indeed to have the opportunity of explaining the matter. I had not a distinct recollection of the particular case to which Mr. Leslie Melville has referred until he read the letter from the Royal Bank, but now I have a very distinct recollection of it. This money was paid in at Edinburgh to be held at the disposal of certain parties in England, and the Royal Bank was asked specially to send a draft on London at a short date to cover the charges. Of course there were four ways of dealing with it. There was first the way of giving a draft on demand drawn upon the Bank of England or upon one of our London correspondents, for which the charge is 1 *s.* per cent.; that would have involved a deduction from the amount so paid to the Royal Bank in Edinburgh of 5 *l.* 3 *s.* in order to make it available in London; but the object of Mr. Leslie Melville's firm in putting the question to the Royal Bank was to elicit in what way the exact amount could be produced in London. There were three ways of doing that, and those three ways are explained in the letter, all of them being in exact conformity with the scale of charges upon which all the Scotch banks act. I should also be very glad to make an explanation somewhat supplementing an answer of my own on a previous occasion with regard to the charges made to the Scotch banks by English banks. It bears upon the question which is now before the Committee. The question, I think, was put to me on a previous occasion whether it was usual for English provincial bankers to make a charge to Scotch bankers for making available in London the amounts of English cheques remitted to them. I stated then that I believed that there was not a day passed that we had not a charge of that description made to us by English bankers. Since then I have taken some trouble to verify that statement, and the result is this. I took the month of May 1874, before any question had arisen between the Scotch bankers and English bankers, and I found that in the course of that month the Royal Bank remitted cheques to 65 English provincial bankers. In the case of 32 out of the 65 instances, no charge was made, and in the case of 33 out of the 65 a charge was made. That charge ranged from 6 *s.* per cent. to 1 *s.* 3 *d.* per cent. As the result I should say that the private bankers of England, as a rule, made no charge, with only very few exceptions. The joint stock provincial banks in England did make the charges, with one or two exceptions; the result, on the whole, was that the charge by the provincial bankers ranged from 6 *s.* per cent. to 1 *s.* 3 *d.* per cent.

Mr. *Orr Ewing.*

5002. Supposing that you had been getting the money from Mr. Leslie Melville, and that he had sent it to you, what charge would he have made?—That I cannot tell; I can only say that so far as the Scotch banks are concerned, if money is paid to them in London they make no charge

Mr. *Orr Ewing*—continued.

for making it available in Scotland. If money is paid in in Scotland, and the parties wish to make it available in London, of course we make a charge.

Mr. *Sampson Lloyd.*

5003. Is it not the fact that in all these cases in which you say that the English provincial joint stock banks made you a charge you had the opportunity, if you had chosen, of sending down those cheques, as all English country banks do, through the country clearing house, and that in that case, so far as you know, no charge would be made?—I think I explained, on a previous occasion, that if a cheque was sent through the country clearing house no charge would be made, because it became money available at five days in London. I think one of the honourable Members of the Committee, or one of the witnesses, stated that the money was available on the second day, but that is not so; it works out in this way: we cash say, a cheque on Lincolnshire, in Edinburgh upon the first of the month; we send it to London; it reaches London on the second; but generally too late for the country clearing of that day; it passes through the country clearing house on the third, and it is made available to us in London two days after that; so that a cheque cashed in Edinburgh on the first day of the month is not available to us in London until the fifth of the month, and we have not advice in Edinburgh of its payment till the sixth of the month; so that it is practically not available for our purposes before that time.

5004. In other words, owing to your distance from London, you, from the very nature of the case, lose four days?—No, that is not so. We do not feel ourselves legally justified in allowing five days to elapse before that cheque is presented. We hold that we are bound as a matter of due negociation to send the cheque direct to the banker upon whom it is drawn, or to our correspondents in the town upon which it is drawn.

5005. Is it not the fact that English provincial banks, both private and joint stock, have established a machinery by which your cheques from Scotland on England can be paid free of charge, and that because you take views which, without any disrespect, I may call peculiar, as compared with what the English banks do, and do not avail yourselves of this machinery, but require to have the money paid in another form from what the English banks do, you subject yourselves willingly to this charge?—The Scotch banks decidedly encourage their customers to say to them, "We shall exonerate you from all legal responsibility arising from this mode of negociation"; and if the customer is content to allow us to send it through the country clearing house we are glad to do it.

5006. In that case you are subject to no charge by the English banks?—We are subject to no charge by the English banks in that case.

Sir *John Lubbock.*

5007. Are you aware that the legality of the country clearing house has been tried in a court of law and decided in its favour?—I was not aware of it.

5008. Do I correctly understand you to say that if you send up a cheque from Edinburgh on the first of the month, and it goes through the clearing house on the second, you do not receive credit for it until the fifth?—From the course of

post

Sir *John Lubbock*—continued.

post between Scotland and England, cheques cashed at our branches are rarely passed through the clearing house on the day they are received in London; hence we do not receive credit for them till the fifth day. If cheques are received in London by the first post they would be cleared the same day, and we would get credit for them on the fourth day.

5009. On the other hand, if you sent it direct, you would receive it upon the third?—If we sent it direct we should send it from Edinburgh on the first; it would reach its destination on the second; the banker upon whom it was drawn would instruct payment by the same post, no doubt; and we should receive the money on the third, I think.

5010. Therefore there is not a difference of five days, as I understood you to say just now, but only two days?—I did not mean a difference of five days. In the one case you get it in due course, and in the other you have to wait.

5011. And none of the cheques to which you have alluded, and upon which you have charged a commission, were sent through the country clearing?—No; I have explained that we do not feel ourselves at liberty to negotiate cheques through the country clearing house unless we have the authority of the person by whom they are presented. If we have that authority we invariably send them through the country clearing house. The cheques which I referred to are cheques drawn by English provincial banks.

5012. You have stated that you do not do so because you do not feel justified in not presenting a cheque for four days after you receive it; are you not aware that a banker sending a cheque by post is presentation, and that therefore when it is sent by post from London to a country bank that is a legal presentation of the cheque?—I take it, that if a Scotch bank or any bank sends a cheque to a provincial bank in England for the purpose of negotiation, he constitutes the English banker his agent for the purpose of negociation, and that at present that would be practically a fulfilment of the legal requirements of the case.

5013. And therefore the legal presentation of the cheque presented through the country clearing house takes place on the day after you have received it?—No.

5014. He sends it up to London on the first of the month to his London agent, his London agent sends it on the second, by post, and that sending it by post is a legal presentation; and therefore that legal presentation takes place on the day after he receives the cheque, does it not?—I take it that in that case the negociation through the country clearing house would take place on the receipt by the banker on whom the cheque was drawn.

5015. You are not aware that the sending of a cheque in that way is legal presentation?—I am not.

Mr. *Mulholland*.

5016. I think you said that the three plans which you suggested for making this remittance were three plans by which the whole amount could be paid in London?—Yes.

5017. Was one of them to give a 10-days' order at a charge of 1 *s.* per cent.?—No. (Mr. *Melville.*) "We can remit you this amount by draft on London at 10 days, less 5 *l.* 4 *s.* for stamps."

Mr. *Mulholland*—continued.

(Mr. *Fleming.*) There were three ways of remitting the money free of any charge so as to produce the amount that had been paid in to Edinburgh.

5018. Then you mean that that 5 *l.* 4 *s.* should be paid to you?—No, that 5 *l.* 4 *s.* was stamp duty payable to the Government.

5019. But who was to pay it?—"We can remit you this amount by draft on London at 10 days, less 5 *l.* 4 *s.*" There plainly would have been a deduction, and therefore that would have been a very inadvisable mode of remitting the money.

5020. Would not the same, 1 *s.* per cent., have been deducted for an order on demand?—No, this is an order of 10 days.

5021. Ought you not to have given them the advantage of an order on demand?—The question was put, as I have already stated, in this way: in what way can you, a Scotch banker, make this money available free of any charge to our constituents.

5022. Was there not a charge of 5 *l.* 4 *s.* for stamps?—Apparently so; Mr. Melville chose that mode of remittance in preference to another which would have produced the money on the same day free of stamp or charges. Why he did so I cannot explain. (Mr. *Melville.*) I wish Mr. Fleming would tell me how to ask the question next time; I asked, "How are the parties to receive in London free of charge 10,350 *l.*, that is in your hands?" and we have done the best we could. Should I have had the whole amount in London if I had gone his way to work. If the cheque had been upon me it would have been paid the next day in London without any charge at all.

Mr. *Hussey-Vivian.*

5023. (To Mr. *Fleming.*) Are your charges so far circulated that Mr. Melville ought to have known that he could have received this money for 1 *s.* per cent.?—If Mr. Melville had asked his solicitor in Edinburgh, or if Mr. Melville's constituents had asked his solicitor in Edinburgh to remit this money, he would probably have known the best way of remitting it.

5024. Then probably the solicitor would have made a considerable charge; but is it so commonly notorious among bankers who have dealings with Scotch bankers that this payment of 1 *s.* per cent., is a mode of obtaining remittances that any banker well-instructed in his business ought to have known that it could be done in that way?—The truth is that I do not believe that out of the millions of drafts which the Royal Bank have issued during the last 12 months, there was a similar question put, or a similar draft granted. It is quite an exceptional thing in Scotland to remit by drafts at a date, the drafts are invariably asked for and given on demand, and the uniform charge is 1 *s.* per cent. on demand. The exceptional circumstances here seem to be, that to satisfy some legal requirement they wished to have the exact amount made forthcoming in London, and that could only be done by giving a draft at a date.

5025. Then you admit that you make a charge against the English bank of 1 *s.* per cent., which the English banker does not make against you?—I do not admit that by any means; on the contrary, I have told the Committee that in the experience of the Royal Bank for one month the charges range from 6 *s.* to 1 *s.* 3 *d.* per cent.

Hon. *A. L. Melville* and Mr. *Fleming*.

17 Jun. 1875.

Mr. *Hussey Vivian*—continued.

(Mr. *Fleming*.) Has Mr. Leslie Melville ever charged you a penny for anything? Private banks do not do it. (Mr. *Melville*.) I put the question to a joint stock bank, and said, "How can this be said of you?" They treated it just as I treated the Bank of England; they said "They charge us and we charge them, and we should never have done it otherwise."

Sir *John Lubbock*.

5026. (To Mr. *Fleming*.) You might have sent all those cheques through the country clearing house, and you would then have received the money free of any charge, less the loss of one or as you consider, two days' interest, would you not?—In the one case where it is sent direct we have the money on the second day from its transmission.

5027. You said the third day before, did you not?—No, we send it direct; we have it the second day; it is put to our credit in London on the second day after transmission. In the other case we had it on the fifth day.

5028. Therefore you would have lost three days, but you would have had it free?—Yes.

Mr. *Backhouse*.

5029. (To Mr. *Melville*.) Do you wish to say anything with regard to the Act of 1844?—I was here at the time of the passing of the Act of 1844, and I rather differed from other bankers on two or three points; and as I differed from them, I did not know very well what to do; but the late Lord Yarborough (then Lord Worsley) was an intimate friend of mine, and I said to him, "I think the other bankers are wrong; they give it up as a bad job, but I don't think it is a bad job; I believe I have right on my own side," he said, "If you will draw your own petition and will give it to me, I will support it, for I think you are quite right in the view you take." Here, on a very yellow piece of paper, is my petition at that time, and in it I asked for three things. One thing that I asked for was this; that instead of having only a week in which to make up our returns, the averages should be made once a month, because it was impossible from the different branches to get in the returns, so as to do it in a satisfactory way; that they agreed to,

Mr. *Backhouse*—continued.

and I carried it by this very petition. Another point that I asked for was this: I said that the way in which they took the averages was unfair; they proposed that it should be (and you will find that in Sir Robert Peel's speech) the last two years; I said, "The last two years are the very lowest that we have ever known, therefore, it is not giving it a fair chance if you take it for the last two years; take it for three years, or for five years, or for seven years, or for the last three months, or in any way you like, except taking it on those very lowest years," that they agreed to, and they gave it me for those three months; those two things I carried myself. I wish to support this excellent Act of Sir Robert Peel's, except this one little slip about the Scotch banks; otherwise it seems to me to be perfect; I said in my petition: "That your petitioner begs humbly to represent that the proposed plan of taking an average from past years, as constituting the maximum of future circulation is anomalous in principle, and unjust to those districts in which from fairs, and other causes, the demand for money at different seasons of the year is subject to great variation." That was not granted, but I have got a good circulation, and I am satisfied, and I work within my circulation. But if there is any idea of making any alteration in Sir Robert Peel's Act, what I would suggest is this: that if you gave 10 per cent. it would be equivalent to my proposal, and it would save many of us a good deal of trouble. The last four weeks, for instance, were very high; in the last four weeks we had our sheep fair, and we had the payment of servants' wages in May, so that we were carried over our amount, and we were above our 100,000 *l.* Then I had to put on the screw; I had to send Bank of England notes to all my branches, and to have them at home; and not a note of ours was allowed to be issued; and so I brought it down to 98,000 *l.* instead of 100,000 *l.*; that is what we are compelled to do now and then; at the same time I make no great point of that.

5030. When that Act was passed, you undertook it as a permanent settlement?—Yes, and we have always acted upon it, and believed it so; and the country believed it so, and they are perfectly satisfied; I hear questions raised about this and that, but we have never had a question about our notes since 1825.

Monday, 21*st June* 1875.

MEMBERS PRESENT:

Mr. Anderson.
Mr. Backhouse.
Mr. Campbell-Bannerman.
Mr. Chancellor of the Exchequer.
Mr. Stephen Cave.
Mr. Orr Ewing.
Mr. Goschen.
Mr. Leveson Gower.
Mr. Hubbard.
Mr. Sampson Lloyd.
Sir John Lubbock.
Sir Graham Montgomery
Mr. Mundella.
Mr. William Shaw.
Mr. Torr.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. GEORGE RAE, called in; and Examined.

Mr. *Rae.*

21 June 1875.

Chairman.

5031. YOU are the Deputy Chairman of the Issuers' Committee of the Association of English Country Bankers, are you not?—I am.

5032. You are also the chairman of the North and South Wales Bank, are you not?—I am.

5033. That is a bank of issue, is it not?—It is.

5034. What is the amount of your authorised issue?—The amount of our authorised issue, by the Act of 1844, was 63,951 *l.*

5035. Where is your head office?—Our head office is in Liverpool.

5036. How many branches and sub-branches have you?—In all, 41.

5037. Where are they, chiefly?— They are chiefly in the northern part of the Principality, and we have a few in the counties bordering upon that part of the country, chiefly in Shropshire and Cheshire.

5038. Do you issue your own notes at all your offices?—We do not; we only issue at 21 of the branches.

5039. Do you issue in Liverpool?—We do not; the only issuing bank that there ever has been in Liverpool is the branch of the Bank of England.

5040. Do you think that the fact of the branch of the Bank of England being established there has anything to do with your not issuing in Liverpool?—I think that it has.

5041. Why should it prevent your issuing there?—All the other joint stock banks in Liverpool, when they were established, although they had the choice of issue, preferred making arrangements with the Bank of England. Of course, one bank could hardly contend with its issues against seven or eight banks all issuing Bank of England notes, and therefore we never attempted to compete with our notes in Liverpool against those of the Bank of England.

5042. Do you pay your notes in gold at all your branches?—At all our branches, wherever issued; we pay them at 43 points in all. We issue them at 21 points, but they are all payable at our head office, our London agents, and our own 41 branches.

5043. Therefore, if they were issued at any one of those 21 branches, they would be paid at any one of the other 40?—They would.

Mr. *Backhouse.*

5044. Why do you limit the issue of notes to 21 out of the 41 offices?—Our issues being limited to the amount that I have just stated, about 64,000 *l.*, we are obliged to limit the points of issue so as to keep within the limits prescribed by the Act of 1844.

5045. What is the penalty of over issue?—For every 5 *l.* issued in excess of our authorised limit, we forfeit 5 *l.*, it is pound for pound.

5046. Then is the result this: that practically you cannot avail yourselves of the full limits of your issue?—That is so.

5047. Have you any returns showing this?—I have a return showing the average circulation of our notes for the last 10 years. I will not trouble the Committee with the averages year by year, but the average for the 10 years is, in exact figures, 58,082 *l.*, and our authorised issue being 63,951 *l.*, it follows that we have been, during the last 10 years, within the authorised issue by 5,869 *l.*, or 6,000 *l* in round numbers.

5048. What is the greatest excess, and the greatest drop?—I have a return here showing the greatest excess beyond the limits in our circulation, and the lowest point which it has touched in any one of the 10 years in the return from which I have just quoted.

5049. What dates are the 10 years?—The dates of the 10 years are from 1865 to 1874, up to the end of last year. The highest point that our circulation has ever reached during that period was 69,550 *l.*, which it reached on the 19th of April 1866; that was 5,600 *l.* in excess of our authorised issue

5050. What was the lowest point?—The lowest point was 43,385 *l.*; that occurred on the 1st September 1870, and that was 20,566 *l.* below our authorised limit.

5051. Was there any special cause, in September 1870, to account for that?—None, except this: that I see by our returns that we had gone above the limit in the last week of the return by 5,000 *l.* or 6,000 *l.*, as I have already stated; and, in order to bring the issues within the average limit for the month we had to reduce them to that extent.

5052. Have you any other return as regards your circulation, which you wish to submit to

Mr. *Rae.*

21 June 1875.

Mr. *Backhouse*—continued.

the Committee?—In the course of last month we sent a circular to 23 of our branches, in which we put to each branch the following questions: the first question was this, "Is it the result of your experience and observation that the notes of our bank pass current in your town and neighbourhood equally with those of the Bank of England?" The answers were, 21 of the 23 banks answered "Yes"; one replied that the Bank of England notes were preferred in the town and our notes in the country; and one branch replied "No," that our notes did not pass current equally with those of the Bank of England. Those were the answers to the first question. The second question which we put was this, "At your fairs and markets, which would have the preference amongst farmers, graziers, and other sellers of stock or produce, our notes or those of the Bank of England?" Twenty replied, "Our notes;" one replied, "No preference," and two replied that Bank of England notes would be preferred. The third question was this, "Our own notes, wherever issued, being payable in gold at our 41 different branches or sub-branches, whereas notes of the Bank of England are only payable in gold at the branch of that bank which issued them, or the head office in London, does this circumstance, in your judgment, give a preference to our notes amongst country people?" Fourteen say "Yes:" three say "Country people do not know the fact," and six reply that they do not think that the circumstance gives a preference to our notes one way or the other. The fourth question which we put was this: "Does any prejudice exist in your town or district against Bank of England notes from fear of forgeries, and is there any perceptible disposition, therefore, to take our notes in exchange, because, being had direct from ourselves, they cannot, of course, be forgeries?" 17 reply "Yes;" four reply "No;" one says, "Yes, as regards the country, and no as regards the town," and one gives no opinion. The fifth question is this, "Do you think that your customers, generally, would approve, or disapprove, of the suppression of our notes and their substitution by notes of the Bank of England, for which we should not be bound to give gold in exchange?" 18 say that they think that they would disapprove, three say that they would be indifferent, one gives the reply that they would disapprove in the country and be indifferent in the town, and one says that they would approve the suppression of our notes. The last question was: "If there is a bank in your town which only issues Bank of England notes, does it give gold in exchange for these notes in any amount whenever presented, as a matter of course, and without charge?" 13 of the branches reply in the negative, and 10 reply that they cannot answer the question as there is no such bank in the town in which they are.

5053. Are the Committee to conclude that for the reasons alleged you are of opinion that the English country issues ought to be retained?—That is my opinion.

5054. Have you any other reasons that you wish to state?—I would state a few reasons why I think so, with the permission of the Committee. The issues of the country banks not being subject to the sometimes great and irregular fluctuations in the reserve of gold in the Issue Department of the Bank of England, but to a limit which is admittedly below the currency requirements of the country districts, maintain a regularity in movement which imparts steadiness and ease to the operations of the agricultural, industrial, and other interests of the districts in which they chiefly circulate. Thus, instead of being an element of disturbance in a monetary panic, the country issues resting on their own reserves of gold, are an element of strength, for they perform all the functions of a currency in the country districts at such a juncture, without embarrassing the action of the Bank of England, or adding to the anxieties and dangers of a crisis by withdrawals of gold. The money panics, which every 10 years or so appear to visit the metropolis and the great provincial centres, have not, thus far, afflicted the country districts, mainly because they possess a currency of their own, which to the measure of its amount, enables them to conduct their every day transactions independently of the vicissitudes of the "money market;" but if this currency were to be suppressed, and substituted by notes of the Bank of England, the exemption of the country districts from the severities of a money panic would cease, because the Bank of England notes in circulation in country parts would then be subject to the same law of fluctuation as those in circulation in the capital or elsewhere, and every movement in the bullion in the issue department would be as quickly felt at Leicester as at Liverpool, at Saffron Walden as in the City of London. Now, inasmuch as people in country parts have been accustomed for many years to procure with perfect ease such ordinary and reasonable banking facilities as they required, it will be difficult to reconcile them to even a temporary or partial withdrawal of these facilities whenever the foreign exchanges may happen to be seriously against England. The manufacturer or trader, the farmer or cattle dealer, or anyone else in undiminished credit, who has always obtained such discounts or advances as he might require from time to time in the legitimate conduct of his business, will hardly be reconciled to the refusal or serious curtailment of such accustomed facilities on the ground that the position of the issue department renders a contraction of such facilities imperative. In their excusable ignorance of the department in question, and their inability to comprehend why it should interfere with their few and simple transactions, which have never suffered interruption before, many persons would be apt to assign the alleged scarcity of money to poverty on the part of the banks themselves, and thus originate a movement on banking deposits, which under perfectly conceivable circumstances might add a new feature and a fresh danger to our next panic.

5055. Do you consider that the privilege of issue which is enjoyed by private and joint-stock banks in England, has the effect of preventing the establishment of additional banks in England wherever they are required?—I do not think so. I find that during the last 20 years there have been established in England 38 new joint-stock banks, the paid-up capital of which is 9,418,547 *l.*, and their reserve funds amount to 2,293,948 *l.*, making together 11,712,495 *l.*

5056. The capital of the new banks almost equals that of all the Scotch banks, does it not?—It very nearly amounts to the total of the capital of the Scotch banks. I find that the total capital of the Scotch banks by the last return

that

Mr. *Backhouse*—continued.

that I have seen is 9,697,000 *l.*, and their reserve funds 3,607,000 *l.*

Mr. *William Shaw.*

5057. Do you include London in that statement?—The new banks, I think, include the London banks, and, indeed, all the new banks in England.

Mr. *Backhouse.*

5058. Do you consider that the continuance of the English provincial issues would be an injustice to the non-issuing English banks, or that it is regarded by them as such?—No, I do not think so, for this reason: that the great bulk of the non-issuing banks in England might have been banks of issue if they had chosen to be so, because most of them were established prior to 1844, but they chose, instead of being issuers of their own notes, to make arrangements for the issue of notes of the Bank of England, and I do not think that they have any feeling against the continuance of the English country issues, as limited by the Act of 1844.

5059. If the Scotch banks continued to open branches in England, would not the English banks be entitled to be placed upon the same footing with regard to issues, as an act of justice?—As an act of justice, I think they would.

5060. Have you made any estimate of the amount of circulation to which this would entitle the English country bank, issuers and non-issuers?—I cannot say that I have made an estimate myself, but I have had an estimate made for me, and that estimate is this: The Scotch issues are, by the last return, about 6,500,000 *l.*; the population is 3,358,000; taking population as the measure of circulation, the provincial population of England (excluding London, of course) being 19,450,000, would entitle the provinces of England to a circulation of about 37,500,000 *l.* in round numbers. From that are deducted, first, the country issues of the branches of the Bank of England, amounting to 9,000,000 *l.*, and the present authorised country issues, amounting to about 6,500,000 *l.*; that would leave to be added to the present provincial circulation of England about 22,000,000 *l.*

5061. That includes, I suppose, the same proportion of 1 *l.* notes?—It includes the same proportion of 1 *l.* notes as exists in the Scotch currency.

5062. Do you think that it would be easy to introduce a circulation of 1 *l.* notes in England?—No, I do not think it would be. I think it would take a very long while to reconcile the classes in England, who have been accustomed for so long to have their wages and the smaller payments of trade made in gold, to having those payments made in paper.

5063. Then you would not recommend the extension of the country note circulation?—No, I would not; I would not recommend any interference, as far as my own judgment would enable me to speak, with the Act of 1844.

5064. Would you prefer to remain on the basis of the Act of 1844?—I should.

5065. Would you think it expedient and practicable to level the English banks up to the Scotch standard of privilege, or would you level the Scotch banks down to the English position?—I should certainly not recommend that the Scotch issues should be withdrawn; I think it would

Mr. *Backhouse*—continued.

be just as difficult to introduce a gold currency into Scotland as it would be to introduce a 1 *l.* note currency into England, for this reason: that the Scotch people have been accustomed, for at all events a century and a half, to their 1 *l.* note issue, and I think it would be an extremely unpopular and unnecessary measure to deprive them of a currency to which they are so much attached.

5066. You would approve of Mr. Goschen's Bill, I suppose, for a solution of the question?—It appears to me to be the only practicable solution of the difficulty; I think that the effect of the Bill would be to place all privileged banks upon precisely the same footing; it would limit the English banks of issue to banking in the provinces of England only; it would limit the Scotch banks of issue to banking in Scotland, and the Irish banks of issue to banking in Ireland; and so far as that goes it would place them all on exactly the same footing.

5067. Supposing that there were any alterations in the Act of 1844, are there any amendments that you think it would be an advantage to the English issuing bankers to have adopted?—I think if the question were gone into, as I have said before, speaking for myself, I have no wish to see any interference with the Act of 1844; but there are certain details that I think if the question were opened again might, without detriment to the great principles of the Act itself, be taken into the consideration of Parliament; and one of the first of those, if not the very first, would be the question of giving security for issues. I cannot see my way to any practicable scheme of doing that by a deposit of Government securities, because the difficulty of working would be so extreme. Take our own case. We have an issue of 64,000 *l.*, but, in addition to the notes that we have in the hands of the public, we must necessarily have a certain amount of notes signed and ready for issue. That varies with different banks. I think that the Scotch banks stated that for every note they have in circulation they have another note ready for issue. I do not think we have quite so many as that, but it would depend, of course, upon the number of branches. Supposing that we had 60,000 *l.* in circulation, and 30,000 *l.* or 40,000 *l.* in our tills waiting for issue, the difficulty would be to determine what amount of security would be required. If security were given for the whole amount of the notes, whether in issue or in the till, that would be locking up a larger amount of security than would be absolutely necessary for the protection of the notes. On the other hand, we should still be liable to pay the notes in gold on demand, therefore it would be like providing twice over for the same liabilities. I merely mention this as a practical difficulty that has occurred to me. I think that of all the suggestions that I have heard, that of making the issues of all banks a first charge or lien upon the estates of the issuers, would be the most practicable way of meeting the point. I only wish the Committee to take this as my own personal suggestion. I have no authority from my own association to make it, and therefore I hope it will be taken for what it is worth, and no more.

5068. There is a difference of opinion amongst bankers, I suppose, as to the question?—There is. Another point is this: We have to take our averages over one month to ascertain the amount

Mr. *Rae.*

21 June 1875.

Mr. *Backhouse*—continued.

of our circulation; I have shown the result in our case, and I think when the result is thrown over the whole of the country circulation, which I think will be done by Mr. Palgrave, who follows me, I believe, in this matter, it will be seen that, although we are authorised to issue 6,500,000 *l.*, practically we really are unable, on the average of years, to issue more than 5,000,000 *l.* If the average was extended to six months instead of one, that would make a very great difference. The third point is, that a joint stock bank cannot purchase and add to its own the circulation of a private bank; that is a restriction which of course places private banks of issue at a serious disadvantage in the disposal of their business when they wish to retire from it.

Chairman.

5069. That restriction you would like to see removed?—Yes.

Mr. *William Shaw.*

5070. You mean that they would lose their issue?—They would lose their issue. For instance, we purchased the business of a private bank of issue about 18 months ago, and we could give no value for their issue, because they lost it by amalgamating with us.

Mr. *Backhouse.*

5071. A joint stock bank cannot purchase a private bank of issue, under the Act of 1844, I think?—They cannot.

Mr. *Sampson Lloyd.*

5072. If a private bank, with an authorised issue of 20,000 *l.*, purchases the business of a joint stock bank of issue, also with a circulation of 20,000 *l.*, would the private bank be authorised, after that purchase, to issue 40,000 *l.*, or only 20,000 *l.*?—I know that a joint stock bank purchasing the business of a private bank, that being a private bank of issue, could not add that private issue to its own circulation.

5073. Is that the case if the joint stock bank is unlimited?—That makes no difference.

Chairman.

5074. But supposing that the private bank had an authorised issue of 20,000 *l.*, and that it bought up the business of a joint stock bank, would it not lose the whole of its issue of 20,000 *l.*?—I am not prepared to answer that question, but I think not. I think it could continue its own circulation. There is no doubt, I think, that in the case of two joint stock banks of issue amalgamating, the issue of the continuing bank only would accrue to the united proprietaries. Lastly, no bank that was not an issuing bank prior to May 1844 can acquire, by transfer or otherwise, the issue of a bank that wishes to retire.

Mr. *Backhouse.*

5075. So far as I gather from your answers, you do not wish at all to alter the arrangements of the Act of 1844; but if the question was under discussion, you think that those are points deserving of consideration?—That is precisely my meaning.

Chairman.

5076. Will you state more fully your argument with regard to the necessity that would arise for adding 22,000,000 *l.* to the English circulation, in

Chairman—continued.

order to put the Scotch and English banks on an equality?—What I meant to convey was this: that if Scotland, with a population of 3,300,000, is allowed to issue, either by limit or against gold, to the extent of 6,500,000 *l.*, then, measuring by the population of England, the provincial banks in England would be entitled to an equivalent circulation to the amount of 37,500,000 *l.*

5077. You mean to say that if the proportion of circulation in England to population was the same as the proportion of circulation in Scotland to population, it would require 22,000,000 *l.* more of circulation in England?—That is so.

5078. But what inference do you draw from that as to the inequality between the privileges of the Scotch and of the English banks; do you consider that 22,000,000 *l.* more of note circulation is wanted in England?—No, I do not.

5079. But by the hypothesis the circulation in Scotland is required in Scotland?—Yes.

5080. Would there be any advantage given to the English banks by adding to their right of circulation 22,000,000 *l.*?—I think it would be a very great advantage.

5081. By adding to them a circulation which is not required by their customers?—As I think I have said, I do not advocate it as a desirable measure to pass, but at the same time as a mere question of the inequality between the two systems of banking in Scotland and in England, that is the actual measure of difference.

5082. Of course it is quite clear that, from circumstances which may be variously stated, Scotland does take a larger quantity of bank note circulation in proportion to the population than England; but if it is a question as to the fairness of the regulations under which the currency is placed in the two countries respectively, do you maintain any argument that it would be fairer to the English banks that they should have their circulation increased if the Scotch are to be allowed to retain their own position?—As an abstract question of fairness, I think so.

5083. That is to say, you think that it would be a privilege to the English banks to be allowed to issue 22,000,000 *l.* more than they do now?—I think that it would be a great privilege.

5084. In what respect would it be a privilege to them?—It would practically give them the use, according to my estimate, of an additional sum of capital amounting at the least to 30,000,000 *l.* Supposing that that cost them the same as the Scotch issues, which are, I think, stated at 25 *s.* per cent., that would leave them with a permanent loan practically of 30,000,000 *l.*, costing them 1¼ per cent. That, I think, would be a very great advantage.

5085. But as the total circulation in England appears to you to be sufficient for the wants of the people, what would be the effect of this addition; would it be to drive out gold?—Yes; for every additional note issued and kept in circulation, I think that it must have the effect of displacing an equal amount of gold.

5086. Would it have that effect if there were no notes of a lower amount than 5 *l.*?—I think it must have the same effect, whatever the denomination of the note may be.

5087. You think that the result of the issue of a large quantity of notes of a denomination not smaller than 5 *l.* would be to drive an equivalent amount of gold out of the provinces of England?—Gold, or Bank of England notes.

5088. But

Chairman—continued.

5088. But in your calculation, as to the 22,000,000 *l.*, you took into account the Bank of England notes, did you not?—Yes, it would be as you put it, according to my belief. It would displace an equal amount of gold.

Mr. *Campbell-Bannerman.*

5089. May I ask what is allowed, in your calculation, for Bank of England notes?—£. 9,000,000 for the provinces; that is their provincial issue.

5090. But do not Bank of England notes, issued in London, go into the provinces?—They do, no doubt; but I can only take the returns.

5091. You allow in your calculation for Bank of England notes issued at the branches in Manchester and Liverpool, and so on?—Yes.

5092. And not for any of the notes issued in London?—No.

5093. But those notes circulate in the provinces, do they not?—To a certain extent, no doubt, they do.

5094. Do not the notes issued by the Bank of England in London, circulate in the provinces quite as much as the others?—I do not think so, or not to the same extent.

5095. But to a very large extent they do, do they not?—I do not think so, because it would leave so little circulation for London if they circulated in the country to the same extent as the country issues. That would mean 18,000,000 *l.*, and there are only, I think, altogether 26,000,000 *l.* in circulation of Bank of England notes.

5096. Of course a great number of the notes issued in London come back to the Bank of England immediately, but a large number of them, surely, in your experience, you find circulating in the provinces?—Yes.

5097. So that those ought to be taken into account, ought they not, in calculating the amount of paper currency in England?—I think so.

5098. In that case a larger deduction than 9,000,000 *l.* would have to be made, would it not?—Yes. On the other hand, the actual amount of country notes in circulation is taken in this estimate (which is not mine, as I said before) at the authorised amount, that is to say, 1,500,000 *l.* more than the actual circulation; so that you would have to put that on the other side of the account, and even with your deductions I think there would still remain, in round numbers, 22,000,000 *l.*, under any circumstances, to be added to the provincial circulation in England, to make it proportionate to the issues in Scotland.

5099. Then you cannot put it in as a very precise calculation?—No.

Mr. *Orr-Ewing.*

5100. What do you make the gross circulation of notes in England?—I have not got at this moment the Bank of England circulation, but I think it is 26,000,000 *l.*

5101. Is not the total issue of the banks in England 31,000,000 *l.*?—The Bank of England notes in actual circulation, I think, are 26,000,000 *l.*, and the country circulation is 5,000,000 *l.*, making, as you say, 31,000,000 *l.*

Chairman.

5102. You stated just now, did you not, that new joint stock banks had been established since the Act of 1844, with capital equal to all the Scotch banks put together, or thereabouts?—Very nearly.

Chairman—continued.

5103. Have you any objection to the competition of those new joint stock banks?—None whatever.

5104. Then why have you an objection to the competition of the Scotch banks?—Our objection is this; that they start with an advantage which is given them by their privileges of issue over and above the advantages given to the English banks of issue, but especially over those banks in England which have no right of issue.

5105. But those rights of issue they have only in Scotland?—Those rights of issue they have only in Scotland, but they enable them to become the possessors or the borrowers of capital to a very considerable amount, for which they pay a very low rate of interest compared with what the English banks have to pay for theirs; I think I might explain my meaning in this way: I believe that the duty upon the distillation of whiskey is the same in England as it is in Scotland, but if the Legislature were to reduce the duty payable upon the spirit in Scotland, as compared with what it is in England, that would surely enable the Scotch distillers to come into England and fight the English distillers at a disadvantage; that appears to me to be precisely the objection that the English banks have to the Scotch banks coming to compete with them in England; they can make or raise banking resources on much easier terms in consequence of certain favours given to them by the Legislature more than are given to the English banks.

5106. If the duty on Scotch distilled whiskey were half the amount of the duty on English distilled whiskey, I suppose you would contend that the whiskey distilled in Scotland should, on its admission into England, be charged with the difference of duty?—I think that would follow.

5107. That was the case in former times, was it not?—Yes.

5108. But would you contend that a man who had a distillery of Scotch whiskey at Aberdeen, should be prohibited from having also a distillery of whiskey at Nottingham?—I think he ought to be prohibited from selling his Scotch whiskey in England if it is at a lower rate of duty in Scotland.

5109. But supposing that in consequence of his being able to sell whiskey at a lower price in Scotland, he obtained in Scotland a good market, and made a good deal of money, do you think that it would be fair to say that he ought not to come and set up a distillery in England, upon the same terms as other English distillers, because he had a capital which was increased by his having the advantage of the Scotch market for his Scotch whiskey?—I think so.

5110. You would not think that fair?—I would not.

5111. Why do you say that if a man or a number of men have a bank in Scotland from which they make profits in Scotland, owing to the privileges which they have in Scotland, they are not to be allowed also to have a bank in England?—As I stated before, it seems to me unjust to the English banks that it should be so; I think that to justify the Scotch banks coming to England the English banks ought to have the same privileges as the Scotch banks have; and that we ought to be all put upon the same footing;

Mr. *Rae.*

21 June 1875.

Chairman—continued.

we are all subjects of the same Crown, and we think, as a matter of justice and equity, that the privileges of banking should be equalised, otherwise we think that the Scotch banks have an advantage over us, and therefore we object to their competing with us.

5112. Supposing that the gentlemen who constitute the proprietary of the Royal Bank of Scotland were to come into England and set up at Liverpool, and call themselves the Royal Bank of Liverpool, and establish a bank there, being the same persons but under a different title, should you see any objection to that?—Not if they were a separate bank; we could not prevent it.

5113. Even though they made use of the profits which they derived from their Scotch establishment to carry on business in Liverpool on better terms?—It is a case which I have not considered, and I do not exactly see the bearing of the point.

5114. With regard to another matter of which you have spoken in reference to the effects of the country bank circulation, did you mean to give us to understand that the operations of country banks are independent altogether of the state of the London money market?—I do not think that the small transactions in the rural districts where a farmer buys his cattle in a fair or sells his grain or borrows a little money from the bank to help with his rent, are affected in the slightest degree by the foreign exchanges.

5115. Why do you think that they would be affected by the foreign exchanges if the circulation in the country was carried on by Bank of England notes?—Because then the fluctuations in the bank note circulation would be precisely the same in the country as they are in London.

5116. Will you state in what way you consider that the circulation of the country, if it was all carried on in Bank of England notes, would be governed by the rate of discount in London?—It would be governed, I apprehend, as the Bank of England circulation now is, by the amount of bullion in the issue department.

5117. But would you state in what way the operation would take place?—I am taking the case of a country bank which has a certain amount of Bank of England notes in its till to carry on its business. Supposing that the Exchange became adverse to England, the bullion begins to leave the issue department, and consequently the amount of bank notes in circulation becomes contracted, the rate of discount begins to rise, and it sometimes rises to a point which creates apprehension; the result is that banks, and even individuals, begin to hoard bank notes, and thus a scarcity, which is now limited to London and the great commercial centres, would be spread, as far as my judgment enables me to see it, over the whole of the country; it would reach the country banks in that way just as it now reaches only London and the great commercial centres.

5118. The Bank of England would not send down to a country bank and say, "Send us in your notes," would they?—No, it would be the opposite way. The country banker, strengthening his reserves, would probably send to London to get Bank of England notes to replenish his till.

5119. But would he not, under similar circumstances, wish to strengthen himself if he had his own issues?—As against deposits, yes, but not as against his issues, for this reason, that I apprehend, judging by ourselves, that the English banks of issue have always as much gold in hand as is likely to meet any demand on their circulation, under any circumstances.

Chairman—continued.

5120. You mean that there might be a state of things in which, if a country banker had nothing but Bank of England notes, he might wish to keep himself stronger than he would do if he had his own notes?—I hardly think that my answer would bear that interpretation. What I meant was this: that if we had not our own circulation to lean upon and if we had to go to London to acquire more, we must do one of two things; we must either re-discount bills that we hold or we must diminish our reserves in London, or we must diminish the amount of the advances that we are under to our customers for the time being.

5121. But assuming that you have your own circulation, and that your notes are out, which I suppose they generally are, to the full extent to which you can really issue them, if a state of things arises which induces you to want to make yourselves stronger, must you not do precisely that very thing which you say would be so injurious. You cannot issue more of your own notes, can you?—No.

5122. You therefore must fall back upon the Bank of England?—Yes.

5123. Then how would that state of things differ from what you say would be so inconvenient if you had nothing but Bank of England notes?—We should have issued all our notes first before we had to go to the Bank of England, and therefore to the extent of our issues there would be less pressure upon the bank.

5124. But you would not issue more notes than you usually do?—We dare not; we are prohibited by Act of Parliament. What I mean is this: that to the extent of the country circulation of England, taking it at 5,000,000 *l.*, it saves Bank of England notes in times of pressure; that is my opinion.

5125. But if those 5,000,000 *l.* were once for all replaced by Bank of England notes, do you suppose that the fluctuations would be more severe than they are at present?—I think so, undoubtedly.

Sir *John Lubbock.*

5126. In your opinion is it fair to say that England at present is what is called underbanked?—No, I do not think it is.

5127. We have a very large number of banks, and you think they are always ready to open branches whenever they think there is a prospect of sufficient business?—I think so.

5128. Do you consider that we have in England more real banking competition than they have in Scotland?—I think that the competition in England is as complete as it can possibly be. I know in our own case that in Liverpool the competition is very keen, and that every one goes to where he can get his business done cheapest.

5129. In the calculation which you have placed before the Committee just now, I think you began by assuming that the advantages which the Scotch banks enjoy are practically equivalent to a circulation of about 9,000,000 *l.*, for which they pay 46,000 *l.* a year?—I think that it was stated by one of the gentlemen who gave evidence, that to withdraw the Scotch circulation would be equivalent to the withdrawal of 9,000,000 *l.*;

Sir *John Lubbock*—continued.

9,000,000 *l.*; that is to say, that it would require 9,000,000 *l.* to replace the Scotch issues, if they were withdrawn.

5130. You took the population of Scotland, I think, at 3,400,000, in round figures, and you contrasted that with the population of the provinces of England; but if we take England as a whole, the population of England is, in round numbers, 23,000,000, which is six and a-half times that of Scotland; and therefore if we had the same privileges in England as the Scotch banks have, we should have six and a-half times as large a circulation, which would be 58,500,000 *l.*, would it not?—If those are the figures, it would be so. I have not got the figures before me, but I take them from you.

5131. At present the English note circulation is about 30,000,000 *l.*, in round numbers; so that an increase of the English note circulation to the same proportion to population as the Scotch note circulation would really leave to the English banks 28,500,000 *l.* practically free of interest, would it not?—Yes.

5132. I need hardly ask you whether that would not be to you, as practical bankers, a great advantage, whatever the results to the country as a whole might be?—To us, as bankers, unquestionably, it would be a very great advantage.

5133. Take, for instance, the case of a bank with 100 branches, and assuming that it finds it necessary to keep 6,000 *l.* in money in each branch, that, of course, would be a lock-up of till money to the extent of 600,000 *l.*, would it not; and if it had the power of issuing its own notes it would keep, say, 15 per cent. of gold in reserve, and that would leave it with 500,000 *l.*, which it would be able to lend out?—Yes, with that reserve.

5134. There is no gold circulation to any extent in Scotland, is there?—I believe not.

5135. On the other hand, in England, we have a very large circulation of gold?—We have a very large circulation of gold in England.

5136. On the whole, it has generally been considered, has it not, that, having regard to the foreign exchanges and the extent of commerce, although, of course, that amount of gold involves a loss of interest, still it is desirable that in a commercial country there should be a large reserve of gold?—I think so.

5137. Therefore, under the present system, Scotland has the advantages of a 1 *l.* note circulation, and England bears the burden of keeping a large gold reserve; is not that so?—It is so.

5138. Do you consider that to be fair to this country?—For the reasons which I have stated before, I do not think so.

5139. I think that the average amount of cheques passing through the country clearing is from 20 *l.* to 40 *l.* each, is it not?—The average of our country cheques is 28 *l.*

5140. It has been stated to the Committee that in sending a cheque through the country clearing there is a loss of three days; will you state what your experience is in that respect?—Our experience is this; that if we send a cheque, say on Monday, drawn on another country bank in England through the clearing, it reaches that bank on the Wednesday, is advised by that post, and is paid in London on the Thursday; whereas if it were sent direct, it would be paid on the Wednesday; there is a difference of only one day.

Sir *John Lubbock*—continued.

5141. With reference to the case put to you by the chairman as regards distillers, is there not this difference; that all large banks have customers who have transactions with Scotland?—All large banks have customers who have transactions with Scotland.

5142. On all such transactions, the monopoly which the Scotch banks enjoy in Scotland places them at considerable advantage as compared with the English banks, does it not, inasmuch as the English banks can collect everything in England through the country clearing free of charge; whereas, on the other hand, we have it in evidence in the Scotch paper of charges, and we have had it in evidence from Mr. Melville on Thursday last, that a cheque sent down for payment to Scotland, is subject to a charge of at least 1 *s.* per cent. commission?—We make no charge, if that is the meaning of your question.

5143. And, therefore, as we make no such charge, we are, in reference to such transactions, placed at a disadvantage in comparison with the Scotch banks, are we not?—Yes.

5144. Has your attention been called to a statement which has been put in by Mr. Gairdner, from which it would appear that in his opinion the profits of the English provincial banks are about 1,000,000 *l.* greater than those of the Scotch banks?—It has.

5145. Do you consider that that is a correct way of stating the difference of banking charge between the two countries?—I do not think that it is a correct way of stating it, and my reasons for thinking so are these: In the first place there are 293 private and joint stock provincial banks in England. These all differ more or less in their rate of charge. I believe that the banking charges are not alike in any two towns in England, and I understand that some of them differ very widely. But the estimate selects out of those 293 only 21 of the larger joint stock banks, and it takes the returns of these 21 banks as conclusive of the charges of the whole. It then applies, in my judgment, an arbitrary method of computing the charges of those 21 banks to the public, and the result thus obtained it multiplies by a third assumption, viz., that the deposits in English provincial banks amount to 200,000,000 *l.* On this triple assumption, it comes to the conclusion that the English provincial public are charged over 1,000,000 *l.* sterling a year by the English banks more than they would be by the Scotch banks. The feeling of English bankers on the matter, so far as I have been able to ascertain it, is this: that an estimate so much to the prejudice of the English country banks, ought not to have been made except on the clearest evidence, and ought certainly not to have been made on the slight and inconclusive data upon which it is based; and at all events that the statement having been made, it ought in fairness to have been added that, if the English provincial banks enjoyed the same rights of issue as the Scotch banks do, even the difference alleged would be instantly swept away. I have further objection to urge to the estimate, which is this: that it does not fairly produce the result which it professes to give. The evidence of the Scotch bankers, I think, is that every Scotch bank charges and allows the same rates to its customers. Therefore, if this return were correct, it would appear that that was so, but I find by the very return upon which this estimate is based, that instead of the charges of the Scotch

Mr. *Rae.*

21 June 1875.

Sir *John Lubbock*—continued.

banks to the public being all alike and equal, the British Linen Company charge the public 1 *l.* 7 *s.* 10 *d.*, whereas the City of Glasgow Bank charges the public only 17 *s.* 2 *d.* It must be obvious, I think, that this estimate is incorrect, because, taking two banks, the capital of which shall be the same, say 500,000 *l.* each, the one having deposits amounting to 1,000,000 *l.*, and the other to 2,000,000 *l.*, their initial rate of profit shall be the same, say 2 per cent., and yet, according to this estimate, the one bank will be appearing to charge 1 per cent. to its customers, and the other will be appearing to charge 1 *l.* 10 *s.*, although the actual charge made by the two banks may be precisely the same. A further objection which I have to urge is this: that, according to this scale, the larger the amount of business done by a bank, the higher would appear to be its rate of profit charged to the public; whereas, in point of fact and experience, we know that it is really the contrary, and that if a bank's profits enlarge, it is enabled to diminish its rate of charge to the public. My principal objection, and the last is this: that the estimate is made after deducting the expenses of the banks, instead of before. Now, as the expenses of a bank are clearly made out of the profits which it derives from the public, I think it follows of necessity to enable you to ascertain what the real profit made from the public is, you must make that estimate before the expenses are deducted. Otherwise it would follow, that the higher the expenses of a bank, the more favourably it would appear to be doing its business for the public; and carrying it to the extremity, supposing that the expenses of a bank should happen to equal its profits, which might be in the case of a new bank, such a bank, by this scale, would appear to be doing its business for nothing. For those reasons I say that in my judgment the estimate to which you have referred is incorrect and inconclusive as to the point at issue.

5146. The divisible profit must also always be very much influenced, must it not, by the ratio between the capital and the amount of the deposits?—It must be; a bank, with large deposits in proportion to capital, will always pay a much higher dividend than a bank with a large capital and small deposits, and yet their rate of charge to the public may be identically the same.

5147. Then again, a great part of the profit of banking is, or ought to be, derived from the commissions and other charges for doing the current business of a bank?—Yes, that is so.

5148. And, of course, one bank may have a large deposit business in proportion to what we may call its counter business, and another bank may have a large counter business in proportion to its deposit business?—Yes.

5149. And, unless one knows the ratio between those two descriptions of business, any such calculation as this would be entirely fallacious, would it not?—It must be.

Mr. *Sampson Lloyd.*

5150. In a question put to you just now, the illustration was used of a Scotch distiller of whiskey being allowed to set up a distillery on the English side of the border; and you were asked whether it would be, in your opinion, unfair that any Scotchman should be allowed to set up a distillery, and I think you said no?—I said so, if

Mr. *Sampson Lloyd*—continued.

the duty payable in Scotland was lower than the duty payable in England.

5151. You would not object to a Scotch distiller coming and manufacturing whiskey in England, subject to the English duty, even on the supposition which the Chancellor of the Exchequer put to you, that the duty in Scotland were to be half that which is levied in England so long as the whiskey was made as well as sold in England, and subject to the English duty?—No.

5152. But supposing that this Scotch distiller on the other side of the border had an underground pipe from his Scotch distillery, so that he could get the Scotch-made whiskey into his English distillery, and there sell it as English whiskey, you would not approve of that?—No.

5153. Is not that a fair analogy with the case of a Scotch bank raising its capital in Scotland, which is as easily conveyed to England to compete with the English banks as in the case of the whiskey which I put, brought by an underground pipe?—I think that there is a fair analogy between the two cases.

5154. In fact, the English banks do not at all object to Scotchmen, or any other men, setting up banks in England, if they are separate establishments, established under the same restrictions and with the same privileges as English banks?—Yes, but disconnected.

5155. Again, you were asked whether it was unfair that profits made in Scotland should be employed by a Scotch bank trading in England. I presume it is not a question of the profits made in Scotland, but of capital raised by special legislative privileges, which capital is brought over to lend in England; that is what you consider to be unfair?—That was my meaning.

5156. You were asked several questions as to the difference between a country circulation consisting entirely of Bank of England notes and a local circulation; is not the difference this: that Bank of England notes, by the Act of 1844, are compelled to be restricted or to be drawn in under certain circumstances according to the state of the banking reserve in London, whether the local commercial wants of the country do or do not appear to require an extra circulation?—That is so.

5157. Whereas country notes are not necessarily and directly subject to this restriction?—They are not.

5158. Therefore what I presume that you intended to imply was this, was it not: that the circulation of each individual local bank being only, as we have several times heard, a very small proportion of its total liabilities, a country local banker does not feel called upon to cause that circulation to increase or decrease according to the state of the Bank of England reserve in London?—You have put it exactly as it is.

5159. Therefore the circulation of Bank of England notes in the country would fluctuate according to a principle which, however just or unjust in itself, has nothing whatever to do with the requirements of the locality?—That is so.

5160. Whereas the country circulation had been without risk maintained at such a point within its authorised limits as the wants of the locality and of the time appeared to require; is not that so?—I think so.

5161. At the outset of your evidence you said that you thought that the English banks of non-issue might have been banks of issue if they had wished; are you not aware that the Bank of England

Mr. *Sampson Lloyd*—continued.

land used some years ago (if it does not now) to impose very special restrictions upon all banks of issue, such as that a bank of issue was not allowed to open an account with the Bank of England; that a bank of issue might not re-discount at the Bank of England even a London and Westminster Bank acceptance or the most first-rate bill that could be conceived, and that they would not exchange notes of their head office at country branches for an issuing bank?—That was so.

5162. May not that be an additional reason why the new banks have not become issuing banks?—I think those were the principal reasons.

5163. If they were banks of non-issue they escaped those special and arbitrary restrictions which the Bank of England exceptionally imposed upon banks of issue, whereas if they were issuing banks they were subject to all those restrictions which would have been a greater injury to them, would they not, than the circulation would have been a benefit?—Yes, I think so.

5164. Is there not also the fact that by some Act of Parliament a bank which is limited must always remain unlimited as respects liabilities on its notes?—Yes.

5165. So that if a limited bank issues notes it cannot give its shareholders the advantage of perfect limited liability?—Not to the extent of its issue.

5166. Is not the principle of limited liability applied to new banks the favourite one, that is to say, the one which meets most favour from the public?—I think that they are nearly all limited banks now.

5167. Has it not the effect of making a man of large property feel no hesitation in taking a few shares in a limited bank, whereas, in an unlimited bank many such persons fear to risk all their property for the sake of a few shares?—To a certain extent that has been obviated by the unlimited banks very generally registering under the Companies' Act of 1862, which practically gives limited liability to their shareholders; at all events, it limits the liability to 12 months instead of three years, as it was before.

5168. At all events, the effect of your answers to my recent questions is that many existing rights of issue have been dropped when a limited bank has bought up a bank of issue which might otherwise, as contemplated by the Act of 1844, have been retained?—Yes.

5169. I think you said that you would not recommend any alteration of the Act of 1844; was the answer to that question dictated by the consideration that it suited the banking interest, or that it was the best adapted to the public interest outside the banks, or both?—I meant it with a view to the public interest. I think, looking at the enormous amount of bank deposits in this country practically payable to bearer on demand, and probably amounting to 400,000,000 *l.*, that any further extension of the credit system in the form of bank notes would be undesirable.

5170. Although there is no restriction whatever, as we have seen by recent failures, on the circulation of bills or on the circulation of cheques, or on the circulation of bills on demand on London, of those special banks which are restricted as respects their notes, you still think that it is an advantage to stick to 5 *l.* notes, even if all other paper credit is absolutely unlimited?—I think so.

Mr. *Sampson Lloyd*—continued.

Mr. *Rae.*

21 June 1875.

5171. You were asked whether there were any alterations in the Act of 1844 which, consistently with those views, you would recommend; may I ask whether you think that it would be any advantage to the issuing banks in England to be allowed to issue against gold as the Scotch banks are allowed to do?—It would undoubtedly be a very great advantage. It would enable us, of course, to issue to the full amount of our limits which we cannot do at present; but still I must revert to my previous answer, and express my view for what it is worth, that I should be sorry to see any increase in the present local issues.

5172. So that if the Legislature were disposed to give the English banks of issue liberty to issue against gold beyond their authorised limit you would think it undesirable for them to have it?—I would not wish to interfere with the Act of 1844 in that respect.

5173. With regard to your recommendation that the circulation should be a first charge upon the assets of the bank, is it quite equitable, assuming the bank to be insolvent, that a cattle dealer or grazier who gets hold of a 5 *l.* bank note, should have a special privilege in bankruptcy as against a poor maid-servant, or labourers who may have a small deposit in the bank?—The inequity would follow in the same way, if you took from the assets of the bank a sufficient amount of securities to cover its issue. If it is desirable to give security at all for issues, the same injustice would follow to one class of creditor as to another. But I think there is this difference between the classes of creditors: that the holder of a country bank note is to all intents and purposes an involuntary creditor of the bank in the course of his business as a trader, or farmer, or cattle dealer; he is obliged to take those notes; he can hardly refuse them, and, therefore, as I have already stated, he becomes the involuntary holder of a bank note; whereas the depositor has his choice of the bank that he will take his money to.

5174. Is not that distinction rather a shadowy one, inasmuch as anybody is glad to get any form of paper credits, to get an account paid whether it is good, or whether it is bad. And may not a poor depositor be deceived by the general reputation of the bank into trusting the bank with his deposit?—I think a depositor generally consults some well-informed friend as to what bank he had better trust.

5175. Have you not known many instances where the result of such consultation, particularly in time of panic, has been to induce the notes of a country bank to be refused?—I do not know any case.

5176. Have you not known cases where the notes of a country bank have not been taken in a market, or at a railway station, or at other places?—Not unless there has been some rumour out to the prejudice of the bank; but as a general rule, no.

5177. I gather from your evidence that you recommend that on grounds of public policy the circulation of English banks of issue should be specially secured; would you make the same recommendation as regards Scotch and Irish banks too?—The question has been raised in this Committee whether the country banks would be disposed to give security for their issues, and I suggested that if security were to be given in-

Mr. *Rae.*

21 June 1875.

Mr. *Sumpson Lloyd*—continued.

stead of taking bodily a portion of the assets of the bank as a cover for its issue, it would be better to give a first lien on the estate.

5178. I may assume, then, that your answer meant to imply that if the security were to be taken, you would recommend that it should be done in a particular way, and not that on grounds of public policy you are prepared to recommend that banks should give security?—That is what I wished to say.

Mr. *Goschen.*

5179. You see a distinction between the State interfering to protect the circulation and the State interfering to prevent people from doing business with people whom they may wish to do business with?—I think there is a distinction.

5180. And a very strong distinction?—I think so.

5181. You think that the attempt of the State to regulate the currency is dealing with a subject with which the State would be infinitely more competent to deal than the attempt to make people prudent by Acts of Parliament, as to the choice of their banker?—I think so.

5182. Do you consider it a matter of paramount importance in the public interest that the circulation of notes, so far as it can be regulated, should protect the holders of notes against loss?—I think so.

5183. An honourable Member put to you a question with regard to poor depositors, but do you attach great importance to this: that the circulation which forms the basis of all transactions, and which may even enter largely into the payments of wages, should be hedged round and protected with every possible security?—I think so.

5184. Do you hold that opinion both as a banker and from a public point of view?—Yes.

Mr. *Anderson.*

5185. You informed the honourable Member for Plymouth that the Bank of England put exceptional restrictions upon issuing banks prior to 1844; do those restrictions exist at the present time?—I think so.

5186. Then that is very prejudicial to the banks of issue in England, is it not?—Yes, as far as the restrictions go they are prejudicial.

5187. It is, in reality, an explanation of what has appeared to be rather a strange circumstance; that is to say that the non-issuing banks appear to consider themselves on quite as good a footing in England as the issuing banks do?—Yes; I think it was a balance of advantages. Some banks become banks of issue, and others become issuers of Bank of England notes; each deciding what was best for its own interests.

5188. You stated that you were an issuing bank, but you only issue at some of your branches: you do not issue in Liverpool?—No.

5189. And you mentioned, I think, that all the banks of issue in Liverpool issue Bank of England notes, under arrangement with the Bank of England?—I think so.

5190. Can you state the nature of that arrangement?—I mean that all the banks in Liverpool that were established prior to 1844 do so; but as to those banks that have been established since, I do not know what their arrangements are; I can only tell you generally the nature of the arrangement; it is this: that when the Liverpool banks

Mr. *Anderson*—continued.

decided to issue Bank of England notes, they made an arrangement for a certain sum which they should be always entitled to keep under discount of bills there; and upon that sum they get the advantage of its being discounted at a certain per-centage below the minimum of the day.

5191. Are you aware what that per-centage is?—I think it is three-quarters per cent; but upon that point, not having such an arrangement with the Bank ourselves, I can only speak from hearsay.

5192. Then the advantage which those banks get for issuing Bank of England notes was a certain concession upon their discount rates?—That was so.

5193. You said, I think, that your notes were payable at all your branches?—We pay them at all our branches.

5194. But are you bound to pay them at all your branches?—Legally speaking, we should not be. I was looking at one of our notes this morning, and it is dated at one of our branches, and runs thus: "We promise to pay, here, or at the London and Westminster Bank, to bearer, 5 *l.*, on demand;" but we have never hesitated, nor should we, under any circumstances, refuse to pay any of our notes, wherever presented, at any of our branches, whether at Liverpool or anywhere else. That, however, is a voluntary arrangement.

5195. Are you aware that some of the witnesses have stated that, in Ireland, it was an obligation imposed by law?—I was not present when the Irish witnesses were examined, and therefore I am not aware.

5196. You say that you would have no objection to the Scotch banks coming into England to compete with the English banks on equal terms, and that to enable English banks to do so they would require to get 22,000,000 *l.* of additional circulation?—Yes, excluding London.

5197. You said also, did you not, that you would consider that equivalent to giving them the use of 22,000,000 *l.* of additional capital?—Yes, more than that.

5198. And you said that that was so, notwithstanding that they should not be allowed to issue any lower description of note than 5 *l.*?—No; I think I said that the circulation for the English provinces for that amount would include the same proportion of 1 *l.* notes that now exists in the Scotch circulation.

5199. Did you not say that you considered that you would have the advantage of 22,000,000 *l.*, even if you were not allowed to issue 1 *l.* notes?—No, I did not mean to say so.

5200. Did you not say that even if the denomination of the notes was not reduced below 5 *l.*, still it would be an advantage of 22,000,000 *l.* to them?—I think it was a very different question; I understood the Chairman's question to be this: whether if we had an increased issue, even limited to 5 *l.* notes, those 5 *l.* notes would not displace the same amount in gold; and my answer was yes.

5201. That is to say, if you got 22,000,000 *l.* of extra issue, you would be able to displace 22,000,000 *l.* of gold with it?—Yes, if we could issue them.

5202. I suppose you could only displace the gold, provided the public were willing to receive your notes in place of that gold?—That is so.

5203. Will you explain by what process you would

Mr. *Anderson*—continued.

would induce the public to take your notes and displace the gold?—I daresay the public would take the notes of any substantial issuer, joint stock or private issuer. It does so to a certain extent now, and I believe that if we were to attempt to issue, we should gradually force a very considerable amount into circulation. The process, I suppose, would be the same as it is in Scotland; and the Scotch banks have no difficulty, I think, in issuing their notes to their customers; I think they are preferred to Bank of England notes or gold.

5204. Do you suppose that if the Scotch banks were allowed other 10,000,000 *l.* of issue, they could get them out amongst the public without difficulty?—I think that the Scotch banks, under the existing legislation, can issue any amount of notes that the public require, but the public will not take one single note from the Scotch banks or ourselves more than they require.

5205. Would they take your notes if they did not require them?—That would be a matter of experience; I think they would take them.

5206. Do you not issue all you can at present?—Yes, we issue all we legally can at present; but if we had a greater limit, I have no doubt that we could double our circulation in a few weeks.

5207. The circulation of all the country banks is 6,000,000 *l.*, and you propose to add 22,000,000 *l.* to that?—I do not propose that. I said that, as a measure of abstract justice, it should be done.

5208. Supposing that you got that extra 22,000,000 *l.*, how would you propose to induce the public to take it?—I do not propose to have the 22,000,000 *l.* at all. As I have already stated, abstractedly, to put us on the same footing with the Scotch banks, we ought to have that privilege. We have not got the privilege, and I do not propose that we should have it, and therefore I propose to settle the difficulty on the basis of Mr. Goschen's Bill.

5209. But you stated that that 22,000,000 *l.* would put you on an equal footing with the Scotch banks; what advantage would it be to you, if you could not use it?—It is not certain whether we could not use it. I am not at all certain that we could not, in course of time, issue a very large amount of notes, and displace gold proportionately.

5210. Is it not the case that the country banks at present are somewhat under their authorised issue, and are always under it?—Yes, for the reasons I have stated; that, owing to the way in which the returns are made up, it is absolutely impossible that we could ever work up to the amount of our circulation, or else we should be incurring severe penalties. It is the law which keeps us down.

5211. And you think that you could practically issue 22,000,000 *l.* more, if you might?—Not all at once, but in time we might.

5212. I want to estimate what would be the value of this 22,000,000 *l.* to you, which you say would put you on an equal footing with the Scotch bankers?—I could not answer that question, and I do not think that anybody could.

5213. Is it your opinion that a bank of issue can put out any quantity of notes that it pleases to the public?—Certainly not.

5214. Is it not a fact, that if a bank issues a greater number of notes than the public actually require, they will immediately come back to it?—Certainly.

Sir *John Lubbock.*

5215. The gold circulation in England now is very large indeed, is it not?—Very large.

5216. I understood you rather to imply that to a considerable extent extra notes might be put into circulation to replace a certain proportion of that gold?—Yes.

5217. In Scotland, as there is practically no gold circulation, there would not be the same facility for issuing additional notes?—I think not.

Mr. *Anderson.*

5218. Is not the real difference this: that if you were restricted to 5 *l.* notes, and notes of higher denomination, you could not possibly drive out the gold, and that it would require you to be allowed to issue 1 *l.* notes in order to enable you to drive out the gold?—There is no doubt that by means of 1 *l.* notes we could drive out the gold much easier than by means of 5 *l.* notes.

5219. Would you like to have an issue of 1 *l.* notes?—No.

5220. Do you think the public would take them if you had them?—They might after a time; but I think it would be very difficult to issue them now.

5221. But you would rather not give them a chance, for fear they might take them. Would you state your objections to 1 *l.* notes?—The objection, in the first place, is the general objection which I stated before, that I should not like to see any change in the currency of England as settled by the Act of 1844, which would have the effect of diminishing the gold basis upon which that Act was settled. That was one reason. The second reason is this: that I think amongst an ignorant rural population there would be constant panics as to forgeries of bank notes.

5222. Are there such panics in Scotland?—That I do not know; I know that there have been several cases of Bank of England note forgeries in the district where we have our branches, and they created a good deal of uneasiness at at the time, and occasionally brought a movement upon ourselves; and I think that a circulation of 1 *l.* notes would be liable to that objection in the rural and agricultural districts of England.

5223. That is a mere theoretical belief; you are not aware that that is the case either in Scotland or in Ireland, are you?—I have said before that the Scotch people have been so accustomed to 1 *l.* notes for nearly a couple of centuries, that I do not think that you could even force a gold currency upon them. On the other hand, I think it would be equally difficult to force a paper circulation of 1 *l.* notes upon the lower classes of England.

5224. But is not the difference this: that in Scotland the people can have a gold circulation if they like, whereas in England you do not give your people the choice of having either notes or gold as they please?—I think the reason in Scotland is this, that they understand the 1 *l.* note; they have been accustomed to it all their lives, but they have seen so little gold that they would not be able to detect a bad sovereign so swiftly as the English people, would who have been accustomed to it for generations.

5225. But they could have gold if they pleased?—Certainly.

5226. Whereas, in England, the people could not have 1 *l.* notes, even if they wanted them?—That is so.

Mr. *Rae.*

21 June 1875.

Mr. *Anderson*—continued.

5227. Your principal objection, then, is one about panic, and the other is that it would be an interference with the Bank Act of 1844?—That is my principal objection.

Mr. *Goschen.*

5228. As interfering with the gold currency?—As interfering with the gold currency.

Mr. *Anderson.*

5229. You said, did you not, that you thought that the Bill of the right honourable Member for the City of London was the only practical solution of the difference between the Scotch bankers and the English bankers?—That is my individual opinion.

5230. You prefer pulling down the privileges of the Scotch bankers to raising the privileges of the English bankers to the same level?—I prefer putting all the banks on exactly the same footing.

5231. But would you be content to go upwards in place of going downwards; that is to say, to give the English banks the same privileges as the Scotch banks have?—The difficulty of going upwards, as I stated, is that it would involve a serious interference with the settlement of the English circulation as fixed by the Act of 1844. As that therefore is impossible, and as I would equally object to the slightest interference with the privileges of Scotch banks as such, it seems to me that the proposed arrangement in Mr. Goschen's Bill is the most practicable one that I have heard proposed.

5232. I think you mentioned a number of restrictions under which you English bankers suffer which you would wish to be relieved from?—Those are mere matters of detail, and have nothing to do with the main principles of the Act.

5233. They are all points at which you are at a disadvantage as compared with the Scotch banks, are they not?—Yes, as to those small matters; but they amount to very little, and I do not think that there is the slightest wish on the part of the country banks in England to interfere with the Act merely to readjust those details.

5234. You said also, did you not, that you would like to have the privilege of issuing on a gold basis, so as to be able to use up the whole of your actual issue?—I think not. The question was put to me by Mr. Lloyd, and I said no.

5235. Then the levelling-up process is not to go all the way, but only as to a few very small matters of restriction?—Only to matters of detail.

5236. You said that if the State were to require security against issues, you did not see how that would work, because the banks would be required to give double security for the amount of issue, and for the amount of notes kept in the till?—And also that the banks would have to find gold for a portion of the circulation; but I think altogether the notes in actual circulation would be represented, not only by their own amount, but by double their own amount, counting securities and gold together.

5237. Would it not be possible to limit the securities to the average amount in the hands of the public, the same as is done at present?—I do not see how it could work; but I should have no objection to it if the thing could be worked practically. There are variations in the circulation which occur constantly, sometimes from week to week or from day to day; and are you to change the security with the changes in the circulation, or is it to remain a fixed sum, whatever the fluctuations may be?

Mr. *Anderson*—continued.

5238. Supposing that you had a fixed sum of security, and that you were allowed to take a given per-centage of it, as they do in America; are you acquainted with the American system?—I am not sufficiently acquainted with it to give any evidence upon it.

5239. But you consider that the State is warranted in laying it down that the note issues should be secured?—That is my individual opinion.

5240. With regard to your system of banking in Liverpool, do you charge a commission on the summation of the accounts?—Yes, that is so.

5241. Is it on the summation of balance, or the summation of both debtor and creditor sides?—On the summations of one side, the debtor side.

5242. In a creditor account?—In a creditor or a debtor account, in either case, unless it is an account taken on the London principle, where we have a certain sum that we allow no interest upon, and then we charge no commission on the other side.

5243. Then, in reality, it is a commission upon the total drawings?—Upon the total outdrawing.

5244. And not a commission upon the lodgments?—No. Practically it amounts to the same; but as a matter of fact, that is how it is done.

5245. Is the amount of that commission uniform?—No, it varies very much. We have one class of accounts, a limited one but still it is an important class, viz. overdrawn accounts, and upon those we charge a quarter per cent.; the overdrawn accounts would probably be from 15 to 20 per cent. of the whole. Then we have a much larger class of accounts with credit balances, upon which we charge one-eighth per cent. commission. Then we have a third class of accounts, the deposit accounts, upon which we allow interest, and charge no commission at all.

5246. Are those deposits at call?—They are at call as a rule; there are some at seven or 14 days' notice.

5247. Then you allow no interest upon accounts that have creditor balances?—Yes, we do. Upon a current account with a creditor balance, we charge, as I said, one-eighth per cent. commission, and we allow on the daily balance of that account one per cent. below the Bank rate. For instance, supposing that the balance of such an account is 1,000 *l.* daily throughout the year, and that the operations upon it are 20,000 *l.*, on both sides, but 10,000 *l.* only on the debtor side, we should allow interest upon that account, 25 *l.*; we should charge one-eighth per cent. commission on the 10,000 *l.* on the debtor side. That would leave 12 *l.* 10 *s.* to the credit of the customer at the end of a year, after paying all his commissions. If I understand the Scotch system, the allowance on these accounts and similar accounts, according to the Scotch scale, would be only one per cent. on the daily balance, which would amount to 10 *l.* at the end of the year, to the credit of the customer, but then all the commission has to be paid.

5248. Are you aware that the Scotch banks do not charge commission?—I thought that there was a large list of commissions; I presume that upon an account of this kind, they would charge

Mr. *Anderson*—continued.

charge a commission upon the collecting of cheques and the retiring of bills in London, and so on. This one-eighth per cent. that we should charge upon this creditor account would cover those various charges.

5249. Would it cover all charges for paying bills in London, and for collecting cheques anywhere?—Everything. It would cover retiring bills payable in London, drafts, and other payments on London or elsewhere, remittances to or from every bank in England, and the collection of dividends, warrants, coupons, country notes, and gold.

5250. Then whenever you charge a commission, you make no other charges whatever, except interest?—We only charge interest and commission.

5251. And whenever there is commission upon an account, all the other business is done without charge?—I do not quite understand your question.

5252. I mean such business as remitting money or collecting money?—It is all included in this general charge. The usage is that the customer pays in on one side of the account either bank notes or gold, or country notes or cheques, and they are drawn out on the other side either to retire bills in London, or for drafts on London, or for other payments; and upon the debtor side only, not on the creditor side, either one-fourth or one-eighth is charged, as the case may be.

5253. Does not that system tend to reduce the number of transactions that your customers have, and to make them prefer to keep their money, say, in their own safes for this week for next week's payments, in place of paying it in to you?—No, because they can open two accounts. It is open to every customer to open a drawing account the same as the London system, whereby he is allowed no interest upon a small balance, and then there is no commission upon the outdrawings. Every bank in Liverpool does the same.

5254. That is a different class of account from any which you mentioned before; that is one upon which there would be no commission charge?—There would be no commission.

5255. How would you be paid for that; would you be paid by your requiring them to leave a remunerative balance?—By requiring them to leave a remunerative balance, and that is the same as what we understand to be the London system of account; a purely cash account. Reverting to the accounts upon which we charge a quarter per cent., they are almost invariably accounts in which we allow the customer to overdraw to an agreed on amount.

5256. Is that without security?—Sometimes with and sometimes without.

5257. The security makes no difference?—It makes this difference to us, that the overdrawn account practically becomes our area of loss. There is a certain risk, of course, attendant upon that class of account which is not attendant upon the other class of account which we have just been discussing, namely, those accounts which are always creditor accounts. Upon an ordinary overdraft with 1,000 *l.* debtor, and turning over, say, 20,000 *l.* with us, debtor and creditor, our charge for commission would have been 25 *l.*, or ¼ per cent. on 10,000 *l.*, but I find that the interest charged by the Scotch banks is very considerably higher than ours. For instance, the Scotch banks' average for overdrawn accounts is 5½ per cent.; our average last year was not quite 4½ per cent., but, for the sake of round figures, I will take it at 4½. Their rate of discount was a quarter per cent. on the average higher than ours. Therefore, this 25 *l.* of commission, supposing we charged the same rates of interest and discount as the Scotch banks do, would be reduced by 12 *l.* 10 *s.*, thus reducing the quarter per cent. practically to one-eighth per cent., or 2 *s.* 6 *d.* The 2 *s.* 6 *d.* per cent. would cover 20,000 *l.* in transactions in this individual account, and those transactions would include retiring bills payable in London. The whole sum might be in that way; they might retire the whole 10,000 *l.* in bills payable in London, and still our charge would be only 12 *l.* 10 *s.* It also includes drafts and other bills payable in London, and checks received from and remitted to all parts of England.

Mr. *Anderson*—continued.

5258. You think, then, that your mode of charging is really more liberal to customers than the Scotch mode?—I do not think that it is more liberal, but I do not think that, in the long run, there is very much difference between the two.

Mr. *Orr Ewing.*

5259. You are a joint stock bank, I believe?—Yes.

5260. You publish your accounts yearly, I suppose?—Yes, I have our last report before me.

5261. What is the amount of your deposits?—They are over 4,000,000 *l.* at this moment; the amount on the 31st of December last was 3,727,000 *l.*

5262. Will you describe how you conduct your business with parties who restrict their business to Liverpool. Supposing that I had an account with you, and lodged 10,000 *l.* with you to-day, and drew it out to-morrow to pay for cotton; what would you charge me upon that?—It would depend upon the nature of the account.

5263. But, as a general rule, to merchants conducting business with you, do you not charge a certain commission for every cheque drawn?—Not if it is an account upon the London principle. If you opened an account with a banker you would open it either upon the basis of paying a commission upon the outdrawings, or leaving a certain sum without interest. If you had opened the account subject to paying a commission, you would have to pay a commission for that account; if not, you would not have to pay a commission.

5264. Supposing that I am transacting business in Liverpool, and that I am keeping money there for payment for a few weeks, would you pay me any interest upon it?—Certainly.

5265. If I were drawing out what would you charge?—Nothing, if it was a deposit account.

5266. But what would you charge in the case of a merchant lodging money there for drawing out in a few days?—That would be different. Of course if you lodge 10,000 *l.* with a banker one day, and draw it out the next, the banker can make no profitable use of it; the charge would vary, and it would be a matter naturally of arrangement. We have scarcely two accounts alike; there is no regular scale in Liverpool.

5267. Do you not charge a quarter per cent. upon every cheque?—Certainly not.

5268. Is it not the case that large sums of money are kept in private safes and lodged with jewellers, or in places of safe custody, because of the

Mr. *Rae.*

21 June 1875.

Mr. *Rae.*

21 June 1875.

Mr. *Orr Ewing*—continued.

the excessive charges of commissions by banks in Liverpool?—I do not think so; I have heard it stated, but seeing that there is now, and that there has been for the last 40 years, a branch of the Bank of England in Liverpool, leaving the other banks aside altogether, I cannot understand why gentlemen should be obliged to lock up their notes and gold in a jeweller's safe, when they can certainly open accounts with the Bank of England upon which they pay no commission whatever.

5269. You have heard of such things?—Yes, I have heard of such things, but I think they are very much overrated.

5270. Are there not frequent meetings in Liverpool to endeavour to get the bankers to change their system?—They have had meetings in Liverpool to endeavour to induce the Liverpool banks to keep accounts on terms on which the London banks would not keep them. Any bank in Liverpool is perfectly willing to take any number of accounts, to work them on the London principle, but some wish us to go beyond that, and we will not do so. Every bank in Liverpool is open to conduct accounts on the London basis to-morrow, and we always have been.

5271. Your staple business in Liverpool, I believe, is cotton?—That is the largest business.

5272. The amount must be enormous?—It is very large.

5273. How is the money paid; is it paid by cheque, or gold, or notes?—It is paid in both ways; it is chiefly paid, I believe, in notes.

5274. Is not that because of your system of banking in Liverpool?—I think it is because the cotton brokers and the cotton merchants will not agree to keep bank accounts on the same terms as they are worked by the London banks.

5275. May I ask where this gold and these notes are got; is it brought down in the pockets of the customers from Manchester, or is it got from the tills and safes of the merchants in Liverpool, or is it got from the goldsmiths with whom the money has been placed?—I think it comes chiefly from Manchester through the branch of the Manchester and Liverpool District Bank, which is the greatest country bank out of London. Very large sums are passed down from Manchester to Liverpool every cotton market day for payment in Liverpool, and then the other Liverpool banks have also agents in Manchester, and so the money passes in that way.

5276. Do you think that that is a convenient or safe system upon which to conduct business to such an extent as the cotton trade of this country, the merchants from Manchester being obliged to bring down gold and notes in their pockets to pay for cotton?—I did not say that they brought it down; I think it is sent through the Manchester and Liverpool District Bank, and the Manchester agents of the other Liverpool banks. It is not brought down bodily.

5277. Is it sent down by cheque?—By payment. For instance, A. at Manchester instructs his agent in Liverpool to pay B. so much.

5278. And that would be practically by cheque, I presume?—It would be practically by cheque. A great portion is paid in notes, some in cheques, and some otherwise.

5279. Is it in your opinion safe or advantageous that you should have such a system of banking in Liverpool that merchants going from Manchester to Liverpool to buy cotton are obliged

Mr. *Orr Ewing*—continued.

to bring the notes and gold in their pockets?—It is not the fault of the Liverpool banking system. If it is the fault of the Liverpool banking system, it is equally the fault of the London system. We are willing to keep accounts on the London system to any extent.

5280. Is there any banker in London who would refuse to give a cheque to a customer in payment for cotton?—I do not know.

5281. But in Liverpool you would not give a cheque?—The bank does not issue a cheque.

5282. Would you give a cheque to a customer to pay for cotton?—We do not issue cheques.

5283. Because you hold the money upon a commission?—Or without a commission, as the case may be. It depends entirely, as I have already stated, upon the nature of the account.

5284. Do you not think that that system of conducting business restricts the loanable capital of banks in Liverpool?—I do not think so; I think we have quite money enough; we have a great deal more than we can employ at home.

5285. I thought the Liverpool merchants generally complained of the want of money?—All I know is that the Liverpool banks are very large lenders in the London market.

5286. You said that you thought that the holders of notes should have a preference over other creditors of a bank in the event of any misfortune, did you not?—I think so.

5287. In that case would you insist that all bankers should hold a certain amount of gold?—No, I do not think so, unless you can earmark the gold; if you cannot do that, I do not see that it would be any special security.

5288. But unless you take means of having gold, what is the use of the preference?—The use of the preference is that in the event of the assets of the bank not being sufficient to meet the whole of its liabilities, the innocent holders of the notes would be protected.

5289. But supposing that a banker is in difficulties, not being obliged to keep gold, do you think that if bankruptcy takes place he is likely to have much gold in his possession?—If he has not gold he will have other assets, which will be equivalent to gold. For instance, the issues of a bank, I apprehend, bear a very small proportion to the deposits of the bank, and as both would be represented by assets I think it is almost incredible that however badly the bank would wind up, there would not be sufficient, at all events, to pay the notes.

5290. I suppose you are in favour of joint-stock banks publishing all their accounts?—Yes, we do it ourselves.

5291. Do you not think that private bankers should also be put under the same regulation?—I do not think so; I think it would be an interference. I do not know exactly where you are to draw the line.

5292. Would it not be a safe thing for the public that such a thing should be required?—I do not think that the publication of a certain amount of figures proves much. What you really want to know is the value of the assets, and the publication of any statement of that kind does not give it you.

5293. You said, I think, that you thought that Mr. Goschen's Bill was the only way of protecting the English banks from the inroads of the Scotch banks?—It appears to me to be the most practicable way that I have heard suggested.

5294. That

Mr. *Orr Ewing*—continued.

5294. That Bill was intended to prevent the Scotch bankers coming to England to do business, unless they gave up their issue, was it not?—I think that is the effect of it.

5295. I suppose that is because you have a fear that the Scotch bankers coming here, and importing more capital, might injure the business of bankers in England?—Of course we have that feeling; we think we ought all to stand equally before the law.

5296. Have you been speaking in the interests of bankers, or in the interests of the public?—I have been speaking sometimes in the one interest, and sometimes in the other.

5297. But when you speak of your fear of the increased capital coming to England and injuring the profit of the bankers, you are speaking as a banker, I presume?—As a banker I take that view of it, but I do not feel the slightest fear of competition with Scotch banks if we stood upon the same footing. I think that the English banks would be quite able to hold their own.

5298. Would it not be for the interest of the public that additional loanable capital should be imported into England?—Looking at the present state of the discount market in London, I should say that almost too much capital has been invested lately.

5299. Surely the cheaper money is for the commercial public, the better?—I think that you may have too much loanable capital.

5300. You think that money can be too cheap?—I think so; I think it is cheap money that is the remote cause of all our panics.

5301. Is it not generally when money is dear, that the panic takes place?—But the mischief, I think, has been commenced years before that. It only comes to a crisis then; but it is the outcome of cheap money.

5302. The circulation of bank notes at present in England I think you stated to be 31,000,000 *l.*?—Yes; including the Bank of England's circulation.

5303. Do you remember what the circulation of bank notes was in 1844?—In 1844, I think that the private issues were about 8,000,000 *l.*; that is to say, the country issues; and I think that the issue of the Bank of England was about 21,000,000 *l.*; but I am speaking without book, and Mr. Palgrave will be much better able to answer that question.

5304. Then the increased circulation in notes since 1844 has been 2,000,000 *l.*?—That is so, provided these figures are correct.

5305. At what do you estimate the circulation of gold at the present moment?—I have seen various estimates; I should think that it is 100,000,000 *l.*, at least.

5306. Upon what data do you base that statement?—I had almost rather not answer that question, because I have really no authority to speak from. I have seen estimates ranging from 80,000,000 *l.* up to 120,000,000 *l.*; and I think that 100,000,000 *l.* is practically the medium.

5307. Are you aware of what Sir Robert Peel's estimate of the circulation of gold was in 1845, when introducing the Scotch and Irish Bank Acts?—I do not recollect.

5308. You do not remember that, in his speech at that time, he estimated the amount at from 30,000,000 *l.* to 35,000,000 *l.*?—Of course the business of the country has trebled in the meantime.

Mr. *Orr Ewing*—continued.

5309. But banking facilities have increased very much in the same time, have they not?—They have.

5310. And that has a tendency to diminish circulation, has it not?—It has a tendency to diminish the use of bullion in monetary transactions.

3511. And notes too?—And notes too.

5312. We have it in evidence that the circulation of bank notes is now 31,000,000 *l.*, and in 1844 it was 29,000,000 *l.*; do you think that it is likely, when there is in the note circulation only an increase of 2,000,000 *l.*. that the circulation of gold could have increased from 30,00,000 *l.* or 35,000,000 *l.* in 1844 to 100,000,000 *l.* now?—I think that it is quite possible, because there is nothing to economise the use of the smaller circulation; there is nothing to economise the use of sovereigns, and I think that the increase of trade in the country during those 30 years would quite account for that increase in the gold circulation. The facilities of the clearing-house and otherwise have no power in diminishing the use of sovereigns, because there is nothing to replace them.

5313. But when you take into into consideration the fact that the circulation of Scotland is under 6,000,000 *l.*, with one-seventh of the population of England, which would only make the circulation of England, in the same proportion, 42,000,000 *l.*, do you think that it is likely that the circulation of England in gold and notes is 131,000,000 *l.*?—As I said before, it is a matter of calculation; I do not think that it is improbable that it may be so, but I do not say that it is so, becsuse no one can say absolutely that it is so.

5314. Is not money in circulation unproductive capital?—It is.

5315. And, therefore, any system of banking in the country which holds so large an amount of circulation as you estimate England to do, must surely prove a want of banking accommodation, must it not?—I do not think so; I think that every legitimate banking accommodation is given by the English banks that is required.

5316. Do you consider that that is the case with regard to deposits?—The facilities that the English banks give to depositors are, I think, so far as I can see by the Scotch returns, almost identically the same as those given by the Scotch banks. I noticed that the Scotch banks allow on one class of deposits 2·66 per cent.; on another class, the minimum monthly balances, 1·53 per cent.; on the daily balance, 1· per cent.; the mean of those three is 1·73 per cent.

5317. That is the amount of money which is paid; but as regards banking accommodation in Scotland we have one bank to every 3,800 people; what have you in England?—I think that the banking offices in Scotland exceed those in England by about 4 to 1.

5318. And therefore that gives greater facilities for deposits than you have in England, does it not?—I think it is not the number of banks in one given town that is the measure of the accommodation: it is the number of towns in which there is one or more banks; it is quite possible that there may be in any given town more banks than are required for the public convenience; but I think that so far as accommodation to depositors goes, it is nearly as extensive in England as it is in Scotland.

5319. Do you think that you have branches in England, in districts with as small a popula-

Mr. *Rae.*
21 June 1875.

Mr. *Orr Ewing*—continued.

tion as in Scotland?—Not quite so; but there is a bank or banks in every town in England where it will pay to have one.

5320. How do you account for the fact that in Scotland we have so very small a currency or circulation in comparison to what you have in England, if those figures are true that you have given us?—As I said before, I do not know; it is a mere matter of calculation at the best; I have seen an estimate, as I said, as low as 80,000,000 *l.*, and as high as 120,000,000 *l.*

5321. One right honourable Member to-day put a question to you whether Scotland did not depend upon England for the amount of gold which England held, and you said it did?—I said that to the extent of its means in London, which I understood were about 30 per cent. of the deposits, it had always that control of gold in the London market.

5322. Are you aware what is the amount of gold in Scotland?—About 5,000,000 *l.* is the amount of gold in the banks, I believe.

5323. Of course that looks a very small amount of money, when you state your belief that there 100,000,000 *l.* of gold in circulation in England; but it would not be such a small amount, would it, if we found that there were only 40,000,000 *l.* in circulation in England?—It would look so much the larger, of course, as 100 is to 40.

Mr. *Campbell-Bannerman.*

5324. Some of the witnesses who have been examined say that they regard the legislation of 1844 as having been intended to be final, or as fixing the privileges of country banks for so long a time at least as the privileges of the Bank of England continued; is that the view which you take of the legislation of 1844 as affecting the country bankers?—My impression is that it was final.

5325. You do not agree with those who think that Sir Robert Peel recognised the rights as then existing with a view to their subsequent diminution or perhaps extinction?—No, I do not think so; but I have not read the Act lately, and I can only give it as my impression. I understood that Act to mean that it created and fixed three great currencies; the great central currency of the Bank of England, the subsidiary currency of Scotland, and the subsidiary currency of the provinces of England; so that neither the one nor the other of the subsidiary currencies should ever exceed the limits then fixed.

5326. And that they should be continued so long as the Bank of England privilege continued?—Yes, except as regards the provision for any natural effluxion in the country issues in England.

5327. I understood you to say that you did not think it was desirable that the country banks of issue should have the power of issuing a larger amount of notes against gold?—I said so.

5328. But that you thought their notes ought to be the first charge against their assets?—Yes, I said so.

5329. That was by way of making the notes secure, and preventing panic?—Quite so.

5330. You are acquainted, I suppose, with the circumstances of the panic in Scotland in 1857, when the Western Bank failed?—I am not, and I should not like to give evidence on that point, for it is many years ago, and my memory is very imperfect upon the subject.

Mr. *Campbell-Bannerman*—continued.

5331. Supposing that the panic affected, as it did in that case, the depositors rather than the noteholders, would not the fact of the notes being secured in the way you recommend, have a tendency to increase the panic?—I do not think so, because the notes form such an infinitesimal amount of the assets of the bank or its liabilities, that I do not think it would follow.

5332. In that case what happened, I believe, was this: that the depositors in the Western Bank came and presented their deposit receipts, and received payment in notes of the Western Bank, which notes they immediately took to some other of the Scotch banks, and deposited the money there, and became depositors in that bank. If the Western Bank notes had been a first charge upon the assets of the bank, and had been therefore perfectly secure, would there not have been a tendency on their part to hoard the notes, and would not the panic *pro tanto* have had a tendency to increase?—I do not know about the hoarding. Of course if it had the effect of inducing them to hoard the notes, the result of which you speak would have followed to a certain extent.

5333. With regard to your charges, you spoke of two modes of dealing with accounts, one of which was the London method, in which case I think you said that it was required of the customer that he should maintain a remunerative balance; what extent of balance do you mean by a remunerative balance?—It is absolutely impossible to say. The usual way, speaking of our own practice, is this: that in the case of a gentleman coming to open an account, and selecting this particular class of account, the account is opened without any bargain at the moment being come to; and at the end of six months, the first half year, the point is then settled. It is determined by a variety of causes, such as the amount of operations, the size of the cheques whether large or small, and whether an amount is paid in one day and drawn out another. It is entirely measured by the nature of the account itself.

5334. In the case of the other method of charging, you stated, I think, that the commission charged on the drawings covered everything?—It covers everything. We only charge commission on the one side of the account.

5335. And there is no other charge, direct or indirect, on any transaction?—It covers the retiring of bills payable in London, and drafts on demand, and other payments on demand made in London to customers, cheques received from all banks in England, and cheques paid to all banks in England, dividend warrants collected, coupons, and country notes and gold.

5336. In all these cases there is no charge made for interest besides this commission?—No, none.

5337. You said, I think, that you considered the Bill that was introduced this year the best solution of the difficulty as between the Scotch banks and the English banks?—Yes.

5338. Do you see nothing exceptional in the case of the Royal Bank of Scotland, which has a special Act of Parliament?—Yes; I see there are difficulties, as I think there would be difficulties in almost any measure; but I think that Mr. Goschen's Bill involves the minimum of difficulty in settling the matter.

5339. Would you prevent the Scotch banks from

Mr. *Campbell-Bannerman*—continued.

from coming to London, as well as from coming to the provinces?—I think so, so long as the English banks are prohibited from doing so. I think, as I have said often to-day, that we ought to be all put upon the same footing.

5340. Would you come to London if you had the liberty to do so?—That would be a question which would require consideration.

5341. Have you a greater objection to the Scotch banks coming to the provinces than you have to their coming to London?—As a country banker, of course, I should have a greater objection.

Mr. *Mundella.*

5342. You said, in your examination by the Chairman, that you thought that the English, Irish, and Scotch banks should confine their operations to their respective countries?—So long as they enjoy the privilege of issue.

5343. You afterwards said, I think, that you objected to the inequality of the privileges which the Scotch bankers enjoy as against the English bankers?—Not at all if they stay at home.

5344. You are in favour, I think I understood you to say, of expelling the Scotch and Irish banks from the metropolis?—That would be the effect of Mr. Goschen's Bill, I think.

Sir *John Lubbock.*

5345. Unless they surrendered their privileges?—Unless they surrendered their privileges

Mr. *Mundella.*

5346. What would you do with the colonial and foreign banks of issue?—I do not think we have any influence over them, they do not issue their notes by the privilege of this Government, but by the privilege of a foreign government. We control the issues of the Scotch, Irish, and English banks, but we do not presume to control those of colonial banks, and therefore I do not think that the cases are parallel.

5347. But the issue of colonial banks is authorised by colonial governments whose Acts are confirmed by the Crown?—Yes, but I do not think that the cases are parallel.

5348. Then you do not object to the inequality of the issues as long as the respective banks do not compete with each other in their respective countries?—We have not the slightest desire to interfere with the Scotch privileges of issue or the Irish privileges of issue.

5349. You do not desire to level up?—No.

5350. You think that there would be no advantage in that?—I think that it would be a great disadvantage to the country at large.

5351. I think you said that you thought that England was not underbanked?—I think so.

5352. Do you think that Scotland is overbanked?—No, I do not think so in respect of banking capital.

5353. You do not think that the Scotch system has a tendency to develop thrift and trade to a greater extent than the English system?—The Scotch system, I think, drains the country of a greater amount of deposits than the English system does.

5354. Is not that an advantage?—It may or may not be so; I think it is quite a question whether it is an advantage or a disadvantage.

5355. Is it not better that the money, instead of being hoarded, should be deposited with the banks and employed in developing the commerce and industry of the country?—Yes; but what I meant was this: that whilst the Scotch banks have extended their branches into almost every town in the country, however small, and become in fact savings banks, we have allowed the business to be transacted by the Government of England.

Mr. *Mundella*—continued.

5356. The Scotch have savings banks too?—I have no very recent return; the last return that I have (I am sorry that it is so far back) is this: that whilst in 1872 the savings banks in Scotland held 4,800,000 *l.*, or say 5,000,000 *l.*, the English savings banks held 51,000,000 *l.* of deposits.

5357. What disproportion is that to the population?—In the same proportion to the population, the amount in the Scotch savings banks ought to be about 8,000,000 *l.*

5358. Have you included in that the Post Office Savings Banks?—At the Post Office Savings Banks at this period only about 389,000 *l.* had been accumulated in Scotland, whereas during the same time in England, 18,000,000 *l.* had been accumulated. The branches of the Scotch banks have been very rapidly increased, I think, of late years, and therefore it struck me that that might be one reason why the savings in the Post Office Savings Banks have made such small progress in Scotland, compared with their development in England.

5359. Does not that prove the remarkable confidence which the Scotch people have in their own system of banking?—Yes.

5360. Is not the fact that all those small deposits go into the banks, and are employed by the bankers in developing the commerce and industry of the country, more advantageous than their being deposited with the Chancellor of the Exchequer?—Up to a certain amount that is so, but I think that there is a limit on both sides; I think that the Government are the best bankers for the small savings of the industrial classes, up to a certain point.

5361. Do you think that there are the same inducements to people to make deposits in the country banks in England, as there are in Scotland?—Yes; I was going to state that the terms offered by the country banks in England, judging by our Liverpool scale, are as nearly as possible the same as are offered in Scotland; as I stated before, the deposit rate of interest in Scotland amounts to on the mean average 1·73 per cent., and our average is 2·39 per cent.

5362. But there is not the same extension of the banking system in England as there is in Scotland, and consequently is there the same competition for deposits, and the same desire to further them on the part of banks in England, as there is in Scotland?—There is not the same number of banks in proportion to the population; as I have already stated, the bank offices in Scotland exceed those in England by about four to one.

5363. Is there not therefore a much greater competition, and a much greater desire to drain the country, to use your own term, of deposits in Scotland than in England?—As I understand, this is not the rate of one particular Scotch bank, but it is the uniform rate of all the Scotch banks.

5364. And there are four or five Scotch banks, are

Mr. *Rae.*

21 June 1875.

Mr. *Mundella*—continued.

are there not, competing in every small place for deposits at the same rates?—Yes.

5365. And they are all desirous of acquiring the deposits?—Yes, that is so.

5366. And of acquiring them for the purpose of employing them in the trade and commerce of the country?—Yes.

5367. Do you not think that that is a considerable advantage which the Scotch people enjoy over us?—Yes, perhaps it is.

5368. Would not that rather lead you to the conclusion that it would be far better to level up, so to speak, and place the English banks on a similar footing with the Scotch banks, than to deprive Scotland of her issues, or to interfere with the perfect freedom of interchange of banking between the three countries?—I do not think so, the fact being that the English banks have as many resources as they can employ legitimately.

5369. I think you say that in Liverpool you have more money than you can employ?—Yes.

5370. Where are most of the Liverpool bills discounted?—In Liverpool, so far as I know.

5371. Do you think that that is the case in the provincial towns of England?—I do not know about the provincial towns of England.

5372. Do you think that half the bills that are drawn by Liverpool houses are discounted in Liverpool itself?—I think so. I know that we and the other banks in Liverpool have to compete day by day with the London bill brokers; we have constantly to work a fraction under the bank rate to obtain discounts.

5373. But is it not a fact that almost every man who has a business of any importance in Liverpool, or anywhere else, has a discount account with discount brokers in London?—He may have. What I mean is this; that so great is the competition for discount business amongst the bankers in Liverpool, that we constantly have to discount at from one-eighth to one quarter below the bank rate.

5374. And you believe that the principal mercantile houses in Liverpool confine their discounting to Liverpool?—I do not suppose they confine it to Liverpool, but I do not know what amount they take to London, it is impossible to say; and a banker would be the last man to hear of it.

5375. Has not your system of commissions something to do with that also?—No, I think not, because we discount over the counter without any charge for commission.

5376. For customers who have a regular account with you?—No, that would go through their accounts.

5377. And they would pay commissions upon that?—It depends upon the nature of the account.

5378. Of course, if a man discounts 20,000 *l.* worth of bills with you, you place it to his credit, and you charge him one-eighth or one-sixteenth upon the bills?—Supposing that he pays in 20,000 *l.* in bills, we put them to his credit less the rate of discount. Then if we retire his acceptances against that 20,000 *l.*, we charge him a commission.

5379. Do you charge that commission upon the gross amount of business transactions at the end of the year?—Quite so.

5380. I think you stated that you thought that the system of charging commission had not the effect of limiting banking business?—It need not, for the reason that there are other classes of accounts that we keep upon which no commission is charged.

Mr. *Mundella*—continued.

5381. Are you not aware that what may be called close business men are constantly scheming to avoid the payment of bank commission?—Yes; that, I think, is in human nature.

5382. Then the fact is, that the reverse of your former answer is correct; and that the charging of a per-centage as commission has the natural effect of limiting, and it is in human nature that it should limit banking business; is not that so?—It would be so to a certain extent if there were not other modes of evading it.

5383. Do you know that business men who keep accounts in the provinces, and are charged there one-eighth or one-sixteenth commission, send the bulk of their bills to London, and receive the proceeds in Bank of England notes, and pay away those proceeds on their pay-days to avoid that very commission?—I do not know it, but it is quite possible that it may be true to a certain extent.

5384. Have you no reason to believe that it is true?—Not as to ourselves. Every man that banks with us does the whole of his discounts with us; if he does not, then he discounts without our knowledge, and does it surreptitiously.

5385. Then you regard it as surreptitious if a man discounts away from you?—Yes, if he does it without our knowledge; I do not know a single customer dealing with our bank at Liverpool that does not do the whole of his discount business with us.

5386. You think that if a man keeps an account with you, whose trade amounts to 250,000 *l* a year, the whole of that 250,000 *l.* will pass through your bank?—I think so.

Mr. *William Shaw.*

5387. Do you make it an express condition that it shall do so?—No.

Mr. *Mundella.*

5388. You say that you make no allowances on monthly or daily balances?—No. On the contrary, we allow 2½ per cent., when the Scotch banks allow 1 and 1½ per cent. on the daily and monthly balance.

5389. Then you charge a commission and they do not?—We charge commission and they do not, on certain transactions.

Sir *John Lubbock.*

5390. But then they charge on collecting cheques and bills and you do not?—Quite so.

Mr. *Mundella.*

5391. I think you said that as an abstract question of fairness, the English banks ought to have the right of issue to the same extent as the Scotch banks?—I think so.

5392. But you think that it would be injurious to the English bankers?—No, to the English public.

5393. Of course it would be injurious to the English banks?—No, it would be an enormous advantage to them.

5394. Will you explain how the interests of the bankers and of the public would be at issue upon that point?—It would give the bankers the advantage of the use of a large sum of capital at a low rate of interest; but it would have the effect

Mr. *Mundella*—continued.

effect of weakening the basis of gold, upon which the whole of our banking and monetary and commercial system rests.

5395. Whatever weakened credit would injure the banker, would it not?—I cannot give you any clearer answer than I have just given.

Mr. *William Shaw.*

5396. What is the paid-up capital of your bank?—On the 31st of December last the paid-up capital was 384,000 *l.*, and the reserve fund was 198,000 *l.*

5397. Are your 41 branches chiefly in Wales?—They are chiefly in Wales.

5398. Have they been put out within a certain number of years?—Yes, we have purchased two banks within the last three years, and that has increased our branches very much. I may mention that we have passed a resolution to increase our capital to 500,000 *l.* and our reserve to 250,000 *l.*, which will be completed in a few months.

5399. Had you put many branches out before that?—We are always putting out branches slowly, not rapidly. Wherever we can ascertain that a branch will pay we establish a branch.

5400. In fact, from your issue being limited to a certain number of your branches, you have to bring money to new branches, have you not?—Yes.

5401. Does not that restrict you very much in putting out branches?—To a certain extent it does, but our circulation is such a mere mite, being only one-sixtieth part of our deposits, tha practically it does not restrict us.

5402. Have you calculated what circulation you would require to do the whole of your business?—I have not.

5403. It would be three times your present circulation, I suppose?—Yes; I think if we had power to issue at the whole of our branches we should probably be able to sustain a circulation of from 200,000 *l.* to 250,000 *l.*

5404. Would it not be an advantage to the country if you had a movable circulation like the Scotch banks, so that you could extend branches?—It would be an advantage with the disadvantage that I have mentioned, that it would displace gold to an equal extent, and that I think would be undesirable in the general interests of the country.

5405. Are all the other Liverpool banks banks of issue?—Not one of them, nor are we in Liverpool. There is only one bank of issue in Liverpool, and that is a branch of the Bank of England.

5406. What other banks are there in the country parts of Wales at present?—At 13 places where we bank there are branches of other joint stock banks, at eight places we are met by private banks, and at eight places we are unopposed.

5407. Are the other joint stock banks London banks or Manchester banks?—They are chiefly branches of the National Provincial Bank.

5408. Do you not think that it would be a great advantage both to yourselves and to the country if you had your circulation on the same basis as the Scotch and Irish banks?—It would be an advantage to ourselves, but I do not think it would be to the country.

5409. Do you not think that it would be a fair thing to give the non-issuing banks the same privileges as you have in case the Act of 1844 is interfered with at all?—No; for the reasons

Mr. *William Shaw*—continued.

which I stated before. They chose to be non-issuers.

5410. If your privileges are enlarged, surely they have a right to be considered?—But I do not think that we ask for our privileges to be enlarged at all.

5411. You stated that your objection to a 1 *l.* note issue in England was that it would interfere with the gold basis upon which the circulation is based; but is the country circulation in England based upon gold at all?—All I know is, that we always keep 75 per cent. against our issues.

5412. You are not bound to do it, I suppose?—We are not bound to do it, but we do it as a matter of prudence. If you have a circulation payable on demand at 41 points, you must have a large amount of gold.

5413. You think that 1 *l.* notes would increase the tendency to panic?—I think so.

5414. Of course, if it was a Bank of England 1 *l* note the Bank of England 1 *l.* note would probably be issued against securities, and against gold, say in equal proportion; would not that bring into the coffers of the Bank of England an immense amount of gold that is now floating about; and would not that be, in fact, an additional safeguard against panics?—I do not think so. If you issue 1 *l.* notes, which do not now exist, I think you must drive gold out of the country.

5415. Out of the country parts of England, but it must come into the Bank of England, must it not?—No; I think it would go out of England altogether in the exchanges.

5416. The exchanges would be protected by the ordinary course of raising the discount; do you not think that you would have probably 20,000,000 *l.* more gold in the coffers of the Bank of England than you have at present if 1 *l.* notes circulated?—I cannot give any other opinion than I have stated, that is to say, that any increase of the existing note circulation of this country must have the effect, so far as I know and believe, of displacing an equal amount of gold from the country; it would be exported, in fact.

Mr. *Leveson Gower.*

5417. Do you think that the existence of the Colonial banks in England is an advantage or a disadvantage to England, speaking generally?—It is a question which I have never thought about.

5418. I suppose that the desirability of allowing them to exist would be guided by that consideration more than by the question of whether their privileges are the result of Colonial legislation on the result of Home legislation?—Yes.

5419. Would you not in the same way say with regard to Scotland, that the course to be adopted in reference to admitting the Scotch banks to England ought to be guided by economical considerations, and not by the question whether the privileges which they possess have been granted by the English Government or not?—With due regard to other subjects of this country, I think, and their rights and privileges.

5420. With regard to the gold circulation of this country, payments of 5 *l.* and upwards are always made in paper, are they not?—Yes.

5421. And, therefore, when people talk of a mixed circulation of paper and gold, it would be

Mr. *Rae.*

21 June 1875.

Mr. *Leveson Gower*—continued.

more correct, would it not, to speak of a circulation of paper for 5 *l.* and upwards, and a circulation of gold from 5 *l.* downwards, to where the circulation of silver comes in?—Yes.

Mr. *Backhouse.*

5422. When you speak of increased local circulation taking the place of gold, I presume you would consider also that it would take the place of Bank of England notes?—It would to a certain extent.

5423. There is quite as much competition among English banks for deposits, as there is among Scotch banks, is there not?—I think so. The same rates, or equivalent rates, are offered by English banks as by Scotch banks.

5424. There is, in fact, no rule among the English banks as to rate, is there?—No.

5425. And some banks give a higher rate, and, therefore, compete more for the interest of the public?—Yes.

5426. When you spoke about a customer discounting the whole of his bills with your bank, you meant, I presume, that you like to see the whole of a man's transactions, so that you may know whether his business is safe, and whether he is doing his business well?—Yes.

5427. Your objection to his discounting elsewhere is, that by that means you have not the same check upon his business by knowing the parties whom he is trusting?—That is so.

Chairman.

5428. Can you appraise the value of your right of issuing?—We estimate that our circulation costs us about 1 *l.* per cent. per annum, including the license duty that we pay to the Government, and the 7 *s.* per cent. per annum for the amount in circulation, the cost of printing, stationery, and postages. The Scotch estimate is 5 *s.* higher than that, but no doubt a small note circulation is much more costly to keep up. The value of our right of issue to us would of course be regulated by the rate of interest at which we are employing our money from time to time, and also by the amount of notes signed and ready for issue which we have in our tills, and which to all intents and purposes are performing as much duty as if they were Bank of England notes, so long as they are capable of issue.

5429. That is to say, so long as they are within your authorised issue?—No, it would go even beyond that. For instance, supposing that our issues were withdrawn, we should have to replace not only the notes that are in actual circulation, but also the notes in our tills, to the amount to which they act as a cash reserve.

5430. But those notes are not a real cash reserve if they are in excess of your authorised circulation, are they?—They amount to such; practically, they are the same.

5431. That can only be to a very limited extent; you could not, for instance, keep 50,000 *l.* worth of notes in your tills, and consider them as equivalent to 50,000 *l.* of reserve, could you?—Yes, for this reason; supposing that we were for the moment up to the full amount of our circulation, and a demand suddenly comes upon one of our branches, say for 1,000 *l.* or 1,500 *l.*; it pays in our own notes, if we have plenty of time in the meantime to bring our circulation within the limit again; and in that way the 1,500 *l.* has performed the same functions that 1,500 *l.* in Bank of England notes would have done.

Chairman—continued.

5432. How much could you say would be the net annual value of an authorised circulation of 60,000 *l.*?—Taking the rate of interest at 4 per cent., it would be 3 per cent. on the amount. I should say that it would be worth the use of about 100,000 *l.*, or 3,000 *l.* a year.

5433. Supposing that a Scotch bank were to sell its right of issue to the other banks, would you then see any objection to that Scotch bank coming into England and doing business?—No, I think not.

5434. Yet it would have received a *quid pro quo* for what it gave up?—Yes, but I do not think we could justly take that *quid pro quo* into account. My individual opinion is, that if it divested itself of its issues in that way, we should have no reason to complain.

5435. Then there is something in the possession of this right of circulation on the part of the Scotch banks which gives them an advantage distinct from what you would call the price of the circulation?—I think so.

5436. You say that it might be considered that an authorised circulation of 60,000 *l.* might be taken as worth 100,000 *l.*; supposing that a Scotch bank having an authorised circulation of 60,000 *l.* sells it to the other banks for 100,000 *l.*, you say that you would not object to that Scotch bank coming and competing with you in England, though it was 100,000 *l.* the richer for having sold its circulation?—I do not see how we could object.

5437. While that Scotch bank had a certain privilege which was worth 100,000 *l.*, you did object?—Yes.

5438. Therefore there was something in the privilege beyond its mere money value which you thought gave you a right to object?—I do not see that it leads to that conclusion.

5439. It was not its money value that you objected to, because you say that you would not object if it had received the money value?—I do not see how we could object, although the advantage, of course, would continue to a certain extent, because they would have the benefit of the interest of this 100,000 *l.*

5440. They would still have a certain advantage, which would be represented by this supposed sum of 100,000 *l.*?—Yes, they would have that still.

5441. Can you give any reason why you should object to a Scotch bank having a circulation which is worth 100,000 *l.*, and should not object to that Scotch bank if it had the 100,000 *l.* itself?—The value of a circulation in use to a bank is much more than its price to sell.

5442. Why?—For this reason; supposing that we had to give up our circulation, and that we estimate it at 100,000 *l.*; to replace that we should have to recall discounts and advances now out, and which are bringing us in, taking interest and commission together, about 5½ per cent. Therefore, in use, that circulation is worth 5,500 *l.* a year to us, although to sell it it is only worth 3,000 *l.*

Sir *John Lubbock.*

5443. Have you fully considered the effect of the suggestion which the Chancellor of the Exchequer has just made as to the supposed case of a Scotch bank selling its issue?—No; it came upon me very suddenly, and I am very tired, and I do not know that I have seen it very clearly.

5444. I suppose

Sir *John Lubbock*—continued.

5444. I suppose in that case it would be very difficult for such a bank to keep up the large number of small branches which the Scotch banks do?—I think that would be one effect which would follow.

5445. And therefore that would materially alter the conditions of the case?—I think so.

Mr. *Campbell-Bannerman.*

5446. Would not that be assessed in the compensation?—Probably it would be; but I do not know that it would.

Mr. *Anderson.*

5447. I thought you counted the full value of the circulation at 100,000 *l.*?—I tried to show that a circulation has two values; one to sell and another to keep. The value to sell would be 3,000 *l.* in one case, and in the other case it would be 5,500 *l.*

5448. A 60,000 *l.* circulation would be worth 100,000 *l.* to sell, would it?—Certainly not; but the question has come upon me very suddenly, and it is a very intricate one.

5449. Then you would rather that these answers which you have given were not considered as deliberate?—I would rather they were not considered as deliberate.

Chairman.

5450. But they are the best answers that occur to you on the spur of the moment?—Yes.

Sir *John Lubbock.*

5451. In answer to the honourable Member for Dumbarton, you assumed the amount of gold in Scotland as 5,000,000 *l.*; if you will have the goodness to look at the authorised returns, I think you will find that the amount is 4,000,000 *l.*?—Yes, it is 4,000,000 *l.*; I spoke quite without book.

Mr. *Orr Ewing.*

5452. The amount of gold that you named to me as being the amount that you consider to be in circulation in England included the amount of gold held by the Bank of England and by all other bankers, I presume?—Certainly.

5453. You estimate your circulation of 62,000 *l.* as equal to 100,000 *l.* of capital, do you not?—Yes.

5454. I presume that is because during the first, second, and third weeks after you have made your return your issues are beyond the amount there?—No, it is because in addition to this 62,000 *l.* in the hands of the public we have another 30,000 *l.* or 40,000 *l.* lying in the till performing the purposes of money.

5455. How can it perform the purposes of money if you cannot issue it?—I gave you an instance of how we could employ it. If we had to withdraw our circulation we should require 100,000 *l.* in Bank of England notes to replace it.

5456. But if you had Bank of England notes you could circulate them, could you not?—Yes; but 40,000 *l.* of the 100,000 *l.* would go into our tills as a permanent cash reserve. A banker must always keep a certain amount of money in his till unemployed, in order to meet the demand on his deposits.

5457. But that is available?—It is available for that purpose.

5458. But this money is not available?—Yes, it is practically available.

5459. In the first, second, and third weeks, I suppose, you are indifferent as to whether the amount of notes which you have in circulation is beyond or within the authorised issue?—We are not indifferent.

Mr. *Orr Ewing*—continued.

5460. But it does exceed the authorised issue, does it not?—Sometimes it does, and sometimes it does not. It depends upon the time of the year; for instance, in the month of May the country circulation always rises to a very high point, and by August it has fallen to a very low point again. So in October and November again there is a great upward movement in the country circulation, and then a great downward movement.

Sir *John Lubbock.*

5461. You have been asked with reference to colonial banks; the business of colonial banks is of a very different character from that of ordinary English bankers, is it not?—I think so.

5462. And therefore there is not that competition between the colonial banks and the English banks that there would be between the English banks and the Scotch banks, assuming the Scotch banks to come to England?—I do not think there would be the same competition at all.

5463. I understood you to say, that after allowing for interest, and so on, on a mercantile account involving transactions of about 10,000 *l.*, your net charge to the customer would be about 12 *l.* 10 *s.*?—Yes, that is comparing it with the Scotch scale.

5464. That would be about 1 *s.* 6 *d.* per cent., would it not?—Upon both sides of the account, I think, it would be 1 *s.* 3 *d.*

5465. Do you consider that other banks do business upon about the same scale?—I think so.

5466. Will you inform the Committee what the net profits upon the capital of the Liverpool banks was in 1874?—Thirteen two-fifths per cent.

Mr. *Orr Ewing.*

5467. What were your own?—Seventeen and a-half per cent.

Mr. *Anderson.*

5468. Is that the profit or the dividend?—The net profits were so much, and the paid-up capital so much, and this is the whole of the profits divided over the whole of the capital paid up.

Sir *John Lubbock.*

5469. Is that the divisible profit?—That is the divisible profit.

Mr. *Orr Ewing.*

5470. Was not your dividend 13½ per cent. for six months?—No, it is stated in the report as 17½ per cent. The last six months we paid at the rate of 20 per cent., but that was under special circumstances.

Sir *John Lubbock.*

5471. That was your own dividend; but, taking the Liverpool banks as a whole, the divisible profits were 13⅔ths per cent.?—Yes, and our dividend is included in that.

5472. You stated that you charged a quarter per cent. commission on overdrawn accounts; I presume you would wish to discourage that class of business as being undesirable?—It is risky. They are not a class of accounts which we care to encourage; and we charge more upon those accounts because there is a risk upon them.

Mr. Robert Harry Inglis Palgrave, called in; and Examined.

Mr. *Palgrave.*

21 June 1875.

Mr. *Backhouse.*

5473. I THINK you are connected with Messrs. Gurney's Bank at Great Yarmouth?—I am; Messrs. Gurney & Co. have an authorised issue of 261,109 *l.*; it is at Norwich, 105,519 *l.*; at Lynn, 42,817 *l.*; at Wisbech, 59,713 *l.*; and at Yarmouth, 53,060 *l.*

5474. I think you have been requested by the committee of English issuing country bankers to give some information to this Committee?—I have, and as the statement which I have to give requires so many figures, I thought that it would be more convenient to the Committee if I had it printed beforehand. I beg leave to offer a copy of it to every Member of the Committee, and I trust that it will facilitate their inquiry.

5475. Can you give the Committee any information as to the proportion which the note circulation of the United Kingdom generally bears to the total amount of business done in the country?—If the Committee will have the goodness to turn to Table I. they will find there a statement of the total declared exports and imports of this country for the year 1844, and from 1868 to 1874. They will observe that the exports have increased from 144,000,000 *l.* to 607,000,000 *l.*, and that the clearing return has increased in the proportion of from 100 to 394, whereas if they look at column No. 9, which contains the increase in the bank note circulation since 1844, they will observe that in the same time it had only gone up from the proportional number 100 to 117.

5476. Is the note circulation increasing or diminishing?—It is increasing very slightly.

5477. Is it increasing in proportion to the general business of the country?—It certainly does not appear to be, for it will be observed that in 1873, whilst there was an increase in the clearing, and a considerable increase in the exports and imports, there was an absolute diminution in the total circulation of the country as compared with the previous and subsequent years.

5478. Does it appear to be influenced in amount by the amount of business done as tested by the exports and imports of the country?—I think not for the reasons which I have already stated.

5479. Or by the general business of the country as shown in the return of the clearing house?—I think that columns four and five, which contain the decimal proportion of total exports and imports to clearing, show that it is not regulated by the general business of the country in any way.

5480. Can you state the probable amount of gold coinage in this country, and in France and foreign countries?—I do not think that my own opinion upon the matter is as good as that of two persons in this country, Professor Jevons and Mr. Hendriks. I was unable to communicate with Professor Jevons, who lives at Manchester, but I requested Mr. Hendriks to prepare a statement for this Committee which I shall beg leave to hand in, and which shows that the total gold circulation of this country is apparently 100,000,000 *l.*, to which must be added the amount of bullion held by the Bank of England, which is considered to be from 10,000,000 *l.* to 15,000,000 *l.* That is not absolutely known. The total gold coinage of France, Italy, and

Mr. *Backhouse*—continued.

Belgium, now current in those countries and other countries (Switzerland, Hungary, and Austria, &c.), which have signified their adhesion to the monetary treaty of 1865, at this time amounts to 225,000,000 *l.*; that is to say, the gold coinage of this country, the coinage of the sovereign, is about half the gold coinage of the Napoleon. Mr. Hendriks gave evidence before the French Enquête sur la Question Monétaire of 1870, and is, I think, the first authority in this country as to the total amount of gold coinage in the world.

5481. Can you give us similar details with regard to the gold coinage of England?—This statement contains the details of gold coinage from 1817 to 1874, both in England and Australia: "Gold (sovereigns and half sovereigns) coined at the Royal Mint (1817–74), 212,950,000 *l.*; gold (sovereigns and half sovereigns) coined at Sydney branch (1855–74), 35,857,000 *l.*; gold (sovereigns and half sovereigns) coined at Melbourne branch (1872–74), 2,955,000 *l.*; total gold coined in London since the establishment of a gold currency in 1817, and in Australia since the establishment of branch mints there in 1855 and 1872, 251,762,000 *l.*" Here we come to the hypothetical statement, and you have to bear in mind the judgment of the man who makes this estimate. "From the above must be deducted (1) the loss from fire and shipwreck, &c., from use in the arts and in manufactures, and from wear and tear of the coin in circulation in each of the 58 years, 1817–74; (2) the exceedingly large but unascertainable amount of melting for conversion into bullion, and for recoinages included in the above total statement in the case of English and Australian mintages, but not measurable at all as regards the reconversion of such mintages into foreign coin; (3) the deductions to be made for British gold coin manufactured for, or current with legal or recognised tender, in the Brazils, Portugal, &c., and amongst travellers and in commerce in all parts of the world. All these special circumstances connected with the wear and tear, and wide and rapid circulation and use of the British gold coinage, lead to the inference that quite 60 per cent. of the total British and Australian mintages has disappeared from circulation, say about 151,762,000 *l.*, leaving in circulation in 1875, 100,000,000 *l.*"

5482. By the circulation, you mean the deposits in the hands of banks and other parties?—I mean that that is the probable amount of sovereigns now in existence in the United Kingdom. The 60 per cent. includes that amount which is estimated to be wandering over the face of the globe.

Mr. *William Shaw.*

5483. Do you agree with that estimate?—Entirely. It corresponds with several other estimates which have been made by other persons of similar authority.

5484. Do you not think that 60 per cent. is a very large proportion?—I think not; I think that that is a very fair estimate.

Mr. *Backhouse.*

5485. Can you state whether the note circulation bears, at the present time, a larger or smaller proportion

Mr. *Backhouse*—continued.

proportion to the gold coinage than it did in former years?—The amount of gold coinage was estimated by Mr. Newmarch, in 1844, as 36,000,000 *l.*, and that estimate was confirmed by the Bank authorities. In 1857 the amount is stated by Mr. Weguelin as being about 50,000,000 *l.* It is therefore obvious that the total note circulation at this time bears a much smaller proportion to the gold circulation of the country than it has ever hitherto done.

Mr. *Anderson.*

5486. Does the 60 per cent. include the gold condemned by the Bank of England as light?—Certainly.

5487. Does it state the amount of that particular item?—No, it does not go into that particular point.

Mr. *Backhouse.*

5488. Can you supply any information as to the amount of the issues of private and joint stock banks in England and Wales collectively, and as to the proportion which the actual issue bears to the authorised issue of those banks?—The Committee will find the annual averages of the authorised and actual issues of private banks in England and Wales, during the years 1844-74, in the second table. In the third table there is the same information as regards the joint stock banks, and in the fourth table as regards all the banks, both private and joint stock, in England and Wales, during the same period.

5489. Has the amount of those issues remained stationary during the last 30 years?—It has diminished very considerably. Column 2, in Table IV., will give the Committee the information at once: 1844 is assumed to equal 100, and you will observe that by April 1875 it has diminished to 75 per cent. of what it originally was.

5490. Can you supply the amount of the circulation yearly during that period?—In Table V. the Committee will find the annual averages of the total English country note circulation for the years 1845–74. This Table is formed from the weekly returns published in the "Gazette." In order to insure greater accuracy in it I have divided it from the ordinary return which is made up in periods of four weeks, and this Return states the amount for each week in each month during the whole period.

5491. At what time did the National Provincial Bank discontinue its circulation?—In the year 1866; and it will be observed that it caused a considerable diminution in the joint-stock issue at that period.

5492. Their circulation was about 400,000 *l.*, was it not?—£. 400,000 *l.* in round numbers.

5493. Has the proportion of the authorised issue to the actual issue, as a whole, remained uniform during the last 30 years?—The proportion of the actual issue to the authorised issue has diminished during that time, but it has remained stationary during the last seven years, as will be seen by reference to the 5th column of the IVth Table, in which the per-centage of the actual to the authorised issue is given for every year during the period under consideration.

5494. To what do you attribute this difference?—To the fact that the issue is greatly at the present time in the agricultural districts; 87 out of 167, the total number of issuing banks in the

Mr. *Backhouse*—continued.

country, are situated in agricultural districts. In those districts the population has fallen off or has remained stationary during the last 30 years; and meanwhile, there has been a great alteration in the nature of the business, and cheques to a very great extent supersede the use of notes.

5495. Do the English provincial note issues remain uniformly at or about one amount during the course of the year?—No, they fluctuate considerably. This will be shown most clearly by a reference to Table VI., in which the averages for the 10 years 1845–54, 1855–64, 1865–74, are given. At the top of each decennial period, the Committee will observe the average of the total period, which is taken as equalling 100. By following the column of proportions which follows the table of amounts, they will observe that January, April, May, October and November are uniformly above the average of the year.

5496. Do the issues of the private banks and the joint stock banks fluctuate in the same manner?—Yes, exactly in the same manner.

5497. Do those fluctuations occur periodically, or do they take place at irregular intervals?—They recur periodically, as will be shown by Tables VII. and VIII. In Table VII. the annual increase in October, as compared with August, is given; and in Table VIII., the gradual diminution in August as compared with April.

5498. Can you state the amount of fluctuation in the provincial note issues?—That will be seen in the 2nd column of each of those tables.

5499. Is there a regular rise and fall in the English country note circulation?—Yes, there distinctly is, as shown by this statement.

5500. Do you think that the circumstance of this fluctuation is generally known?—I believe that it is very little known; it is a mere provincial matter, and I think that most people are entirely ignorant of it.

5501. Do you think that the regular annual fluctuation of the issues of the country banks had any share in the diminution of the circulation to which Mr. Gladstone referred in his speech on the currency on the 31st of July 1866, as follows: "Why is the rate of discount charged by the bank kept up at 10 per cent.? It is because of the limited condition of its reserve. And why is the reserve so limited? Because of the immense demand consequent upon banking discredit, the immense demand made upon the notes and coin of the bank. Notes and coin have been called to supply this want. But what part has been played during this period by the country bank circulation? Has that circulation been found available for the wants of the country? There has been an immense demand for notes and coin, and under these circumstances, if the country bank circulation had been in a satisfactory state, it is evident that not only the notes and coin of the Bank of England, but those of the country banks themselves, would have been largely drawn upon. Instead of that, however, we have seen the country bank circulation actually diminished by not less than 1,000,000 *l.*, at the very time of this drain on the Bank of England. And how has the place of this 1,000,000 *l.* been supplied? Why, by an enhancement of the drain upon the Bank of England"?—There is no doubt whatever as to the fact which Mr. Gladstone comments upon. There is no doubt that the country note circulation was about 1,000,000 *l.* lower in August 1866 than the point at which it stood in

Mr. *Palgrave.*

21 June 1875.

Mr. *Palgrave.*

21 June 1875.

Mr. *Backhouse*—continued.

April of that year; but, nevertheless, if the Committee will look to the year 1861, in the same table (Table VIII.), they will observe that in that year a drop of no less than 792,000 *l.* occurred at the same period as that to which Mr. Gladstone referred. Further back, in 1851, they will find very similar figures. Without recurring to those occasions, there was a special reason in 1866 why the drop in that year should have been greater than ordinary. It was the year during which the National Provincial Bank, which I mentioned before, was relinquishing its issue. The notes of the National Provincial Bank, which at that time were being withdrawn from circulation, and were included in the weekly returns made to the Stamp Office, amounted on the 7th of April to 102,770 *l.*; on the 12th of May they amounted to 81,323 *l.*, and on the 28th of August they only amounted to 43,447 *l.* They were, therefore, included in this drop to which Mr. Gladstone referred, and a diminution of nearly 60,000 *l.* beyond the ordinary diminution is therefore to be attributed to this cause; and if the Committee will look at Table VII., which shows the annual rise in October as compared with August, they will see that, in the year 1866, that rise was no less than 643,000 *l.* By reference to the proportional column, they will see that rise stands at 109, which means that it was actually larger than the corresponding rise between the August and October of 1845, and that, notwithstanding that the total circulation had dropped from 7,700,000 *l.* to 5,040,000 *l.*, the actual rise in that year was, as I have mentioned, larger than it had been on the previous occasion. I think, therefore, that I am quite entitled to consider that the diminution to which Mr. Gladstone referred was not occasioned so much by an alarm respecting the issues of the private and joint stock banks in England as by the diminution in trade generally, and that as that pressure passed away, so the circulation rose, as is shown by this statement.

5502. And if the circulation is less than it used to be, does that circumstance affect the fluctuation?—No, it does not appear to affect it in the slightest degree. The diminution in 1874 is actually about 25 per cent. greater than it was in 1845, although during that time the total circulation had diminished from 7,700,000 *l.* to less than 5,000,000 *l.*, a diminution of something like 35 per cent.

Mr. *Backhouse*—continued.

5503. Those fluctuations show, do they not, that country bankers cannot expand the country circulation at their own personal pleasure?—They show that the circulation is affected entirely by the demands of trade and by nothing else.

5504. Would the country bankers have to supply any other circulating medium if they were deprived of their own right of issue?—Yes.

5505. From what source would they derive the notes so employed?—They would have to employ the notes of the Bank of England.

5506. What would follow if they had to employ any other circulation than their own?—They would have to keep a far greater amount of notes in their tills than the amount which they now have to keep, as they would be entirely unable to estimate the demands which might be made upon them. I have here, if the Committee think it worth while to consider it, a return of the daily issue of our bank at Yarmouth in the months of December and January for the years 1872, 1873, and 1874. At Yarmouth there is a very large herring fishery; the boats are paid off annually at one date in the year, and that fact causes a rise in our circulation, which amounted in 1873 to no less a sum than 30,000 *l.*, as between the 1st and the 22nd of the month, when the boats were principally paid off; we issue at two centres, one at Yarmouth and the other in an agricultural town further in the county. I have divided this return between the notes issued at Yarmouth, and the notes issued in the other part of the district, and the Committee will observe that the rise takes place entirely and only in the notes issued at Great Yarmouth, and not in the notes issued in the rest of the district. It is therefore obvious, that if we were unable to supply this demand with our own notes, and had to apply to the Bank of England for it, as the demand is very uncertain in its amount, we must hold a very much larger amount of notes than the amount which we actually use. Of course it would be impossible for us not to be provided with the means of satisfying the demands of the fishermen, and therefore we should have to make a rough estimate of it beforehand; and I consider that we should probably have to keep in hand, certainly not less than 20,000 *l.* or 30,000 *l.* more Bank of England notes and gold than we probably should use, for that occasion only.

Thursday, 24th June 1875.

MEMBERS PRESENT:

Mr. Anderson.
Mr. Backhouse.
Mr. Campbell-Bannerman.
Mr. Stephen Cave.
Mr. Chancellor of the Exchequer.
Mr. Beckett Denison.
Mr. Orr Ewing.
Mr. Goschen.
Mr. Leveson Gower.
Mr. Hubbard.
Mr. Sampson Lloyd.
Sir John Lubbock.
Mr. Graham Montgomery.
Mr. Mulholland.
Mr. Mundella.
Mr. William Shaw.
Mr. Torr.
Mr. Hussey Vivian.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. ROBERT HARRY INGLIS PALGRAVE, recalled; and further Examined.

Mr. *Palgrave.*

24 June 1875.

Mr. *Backhouse.*

5507. YOU have spoken as to the circulation generally; can you supply information as to the issues of individual banks?—The amount of the authorised issues, and actual circulation of the issuing banks in England and Wales in April 1875, the amounts of the authorised issue, and the actual average issue of each bank during the year 1874, and the proportion of each actual issue to the authorised issue will be found in Table IX.

5508. Will you give us the range?—This table is arranged with the highest proportion at the commencement down to the very lowest at the end. It will be observed that the general average of the actual, to the authorised issue is 75 per cent. They vary from 99 per cent., which is the highest to 16 per cent. I have placed opposite the name of each bank a description of the locality in which the business is carried on. I may add that I am informed by those banks whose circulation is the highest that they practically never issue a note at the present time; their circulation is out, and in fact it never comes home. If the Committee will look through that table, and also at the summary of the description of locality (also in Table IX.), they will see how these localities vary, and they will find that the circulation is usually below its limit in the agricultural districts.

5509. If some of those banks are close to their limit, and some are far below it, can you at all explain why that is the case?—It is explained by the wants of the population in those districts where the banks are situated.

5510. Has proximity to London any effect upon the circulation of banks within the 65 miles circle?—It certainly has. There is a vast alteration now in the habits of the population, and in the character of the districts since the year 1844. I may mention, as an instance, that Bedford which was an entirely provincial town at that period, is now included in the Metropolitan system of railways. I find on inquiry from the

Mr. *Backhouse*—continued.

banks in those districts that there are very few bank notes circulating in the district. There are 40 banks of issue outside London and within the 65 miles circle, so far as I can ascertain. There is no legal definition that I have ever been able to discover of the 65 miles circles; but I have endeavoured to form a list as best I was able. Those 40 banks have an authorised issue of 1,203,517 *l.*; their actual issue in 1874 was only 652,683 *l.*, that is to say 54 per cent. of the total authorised circulation. The circulation within the limit has dropped very much more rapidly than the circulation beyond the limit. In 1844 the circulation within the 65 miles circle was one-fifth of the total note circulation; in 1853 it was one-sixth; in 1872 it was one-seventh; and in 1875 it is only one-eighth. There are 73 private banks beyond the 65 miles circle, with an authorised issue of 2,604,475 *l.*, and their actual issue is 1,890,944 *l.*; that is to say their actual issue is 72 per cent. of their authorised issue. The 54 joint stock banks are all beyond the 65 miles circle. They have an authorised issue of 2,652,993 *l.*, and an actual issue of 2,333,273 *l.*; that is to say their actual issue is 88 per cent. of their authorised issue.

5511. In your opinion, does the fact that the circulation of a bank is below its limit give any ground for any inference as to the state of its deposits?—No, it allows no inference whatever to be made.

5512. Have you received any confidential returns from banks which enable you to give your reasons for that opinion?—I have received statements from banks possessing 2,474,892 *l.* out of the authorised issue of 2,652,993 *l.* possessed by the joint stock banks in this country; that is to say, I can give the Committee information as to the whole of those banks with the exception of a sum less than 200,000 *l.* I received replies from 36 issuing joint stock banks in England and Wales, as to the amount of deposits held by them in the years 1844 and 1874 respectively, and the

Mr. *Palgrave.*

24 June 1875.

Mr. *Backhouse*—continued.

proportion borne by their circulation to their deposits at both dates. These 36 banks had in 1844 an actual issue of 2,021,289 *l.*; their deposits in 1844 were 12,008,068 *l.*, and the proportion of their issue to their deposits in 1844 was 17 per cent. In 1874 their actual issue was 1,746,245 *l.*; their deposits were 42,342,294 *l.*, and the proportion of their issue to their deposits in 1874 was 4 per cent. The proportion of their deposits in 1874 to their deposits in 1844 was, taking 1844 as 100, in 1874, 353. I received also replies from 25 issuing banks in England and Wales, as to the proportion of their capital and circulation in 1844 and 1874. Those 25 banks had an authorised issue of 1,149,119 *l.*, and their capital in 1844 was 2,064,492 *l.*; that is to say, the proportion of their issue to their capital in 1844 was 56 per cent. Their actual issue in 1874 was 949,758 *l.*, and their capital in 1874 was 7,223,325 *l.*, that is to say, the proportion of their issue to their capital in 1874 was 13 per cent.

Mr. *Sampson Lloyd.*

5513. Are those joint stock banks exclusively?—These replies are from joint stock banks. I received replies from 21 issuing banks in England and Wales as to the amounts of their capitals, deposits, and circulation in 1844 and 1874 respectively. Those 21 banks had an authorised issue in 1844 of 956,605 *l.*; their capital in 1844 was 1,802,292 *l.*, their deposits in 1844 were 5,831,909 *l.*; and the proportion of their capital to their deposits in 1844 was 31 per cent. The actual issue of the same banks in 1874 was 766,177 *l.*, their capital in 1874 was 6,130,107 *l.*; their deposits at the same date were 25,009,113 *l.*; and the proportion of their capital to their deposits in 1874 was 24 per cent. I likewise received replies of exactly the same character as those made to the right honourable Gentleman in the chair, as to the position of 59 banks, issuing and non-issuing in England and Wales in 1875. The capitals of those banks were 17,591,329 *l.*; their reserves were 7,649,731 *l.*; the totals of their capital and reserves were 25,241,060 *l.*; their deposits were 129,866,919 *l.*; their acceptances and other liabilities including their liabilities on notes were 9,979,653 *l.*, and their total liabilities to the public were 139,846,572 *l.*; that is to say the proportion of their capital and reserves to their deposits was 19¼ per cent., and of their capital and reserves to their total liabilities 18 per cent.; showing, in my mind, the very strong position of English provincial banking. I may add that this statement entirely confirmed my previous investigations made many years ago upon the same subject. I had no doubt when those inquiries went out as to what the result of the answers would be, and that they would show this strong position of the English provincial banks in respect of their capital and reserves in proportion to their total liabilities. I have also a statement, which perhaps I had better put in, from 36 issuing banks as to the proportion borne by their circulation to all of their deposits in the years 1844 and 1874 respectively. The total average in 1844 was 17 per cent. and in 1874 it was 4 per cent. only.

Chairman.

5514. Was that in consequence of the decrease of the circulation or the increase of their deposits?—The circulation had but slightly decreased; it was in consequence of the vast increase in the deposits.

Chairman—continued.

Mr. *Backhouse.*

5515. Where the circulation has dwindled, do you think that the deposits have dwindled likewise?—Certainly not, and the replies which I received from many of those banks entirely confirm that statement. I have a reply from a bank in which the circulation had extremely diminished, but whose deposits had gone up from 166,000 *l.* in 1844, to 1,066,315 *l.* in 1874.

5516. Had the circulation of that bank considerably diminished?—The circulation of that bank had considerably diminished; in one case, and in one case only, I have been able to trace the proportion of circulation to deposits from an earlier period. In this case, 40 years ago the circulation was 50 per cent. of the deposits; in 1874, the circulation was only 10 per cent. of the deposits. The statement bears out my opinion that in every country in which there has been a provincial note circulation (I include in this statement not only England, Scotland, and Ireland, but Sweden) that circulation has preceded and fed deposits; that has been the case in every country in the world in which I have been able to trace it.

5517. Can you give the Committee any information as to the circulation of notes in Scotland?—The Committee will find annual averages of the Scotch country note circulation for the years 1845–74, in Table X.

5518. Do the fluctuations of the Scotch circulation recur periodically or not?—Yes; they recur with a remarkable periodicity; this is best shown by Table XI., which gives the averages of the total Scotch note circulation for the years 1845–54, 1855–64, 1865–74, and collectively for the 30 years 1845–74. The average circulation of the Scotch banks in 1874, was 5,900,000 *l.*; the proportion of the actual to the authorised issue in the case of each bank will be found in Table XII.

5519. Can you give the Committee the proportion of small notes and large notes in the circulation of Scotland generally, and of each bank?—That is also to be found in the same Table. The proportion of the small notes is 66 per cent. of the whole circulation.

5520. Do you think that if the Scotch banks were confined to the issue of notes of 5 *l.* and above, they would be within the limit of their authorised issue or not?—I think that if they were not absolutely within it, they would not be very far from it. The Committee will see that the circulation of large notes was 2,000,000 *l.* in the course of last year. The authorised issue is 2,749,271 *l.*, and, therefore, although if small notes were suppressed, some increase in the large notes might be expected, it seems to me scarcely probable that the circulation would be anything like the amount which it now is, if the small note circulation were supressed.

5521. What conclusion do you draw from this circumtance?—That the Scotch banks are indebted to their small note circulation for the very large circulation which they possess.

5522. Have the Scotch, therefore, any advantage over the English banks in respect of their circulation?—Certainly; there is no question that if English banks had had the privilege of

Mr. *Backhouse*—continued.

of issuing small notes, their circulation would have increased like the Scotch circulation.

5523. Has the power of amalgamation amongst Scotch banks been of service to them or not?—I think there can be no doubt of that, for it has enabled the small banks amongst them to be replaced by large banks.

5524. Can you give the Committee the like information with regard to the general circulation of Ireland that you have given in regard to Scotland?—That will be found in Table XII., which contains the average of Irish note circulation exactly in a similar manner to that of the other countries.

5525. Do similar fluctuations exist in the Irish circulation as in the English and Scotch circulation?—Very similar fluctuations exist, which will be found in Table XIV. The decennial averages are given on exactly the same system for Ireland as for Scotland.

5526. Have there been any exceptional circumstances in Irish banking, which might have tended to influence those fluctuations?—The population of Ireland in 1841 was 8,200,000; in 1851 it was 6,600,000; in 1861 it was 5,800,000; in 1871 it was 5,400,000. I think that the circumstance of the diminution in the population, without any question, must have had a great effect upon the note circulation; but I think it desirable to mention that alone in the three kingdoms, Ireland still possesses the authorised issue granted to it in 1844–45.

5527. Can you give the Committee any information as to the circulation of Irish banks individually?—The Committee will find this information in Table XV., which gives the proportion of the actual issue to the authorised issue, and the proportion of small and large notes in the issue of each bank in Ireland for the year 1874.

5528. What conclusion do you draw from the proportions that the small notes bear to the large ones?—Very similar conclusions to those which are to be drawn from the Scotch circulation. It will be observed that the small notes are 45 per cent. of the total circulation; and as the total circulation of large notes was only 3,744,000 *l.* out of a total actual issue of 6,769,000 *l.*, I think it is clear that if the Irish banks had not the privilege of issuing small notes, they would be very largely below their authorised issue.

5529. Can you trace the fluctuations in the circulation of the Bank of England?—The annual averages of the Bank of England circulation drawn up in a similar manner to the other circulations will be found in Table XVI.

5530. The Bank of England circulation is published weekly in the total; you trace the fluctuation in the provincial circulation of Bank of England notes?—I am only able to trace the provincial circulation as distinguished from the Metropolitan circulation for the six years, 1842–47. There is a weekly statement of the liabilities and assets of the Bank of England, given in the Appendix to the Report from the Select Secret Committee of this House on Commercial Distress, published in 1848. From that I have been able to prepare a table of the provincial circulation of the Bank of England as distinguished from the Metropolitan circulation for those six years; and on examining it, I find that precisely similar fluctuations to those that took place in the English provincial circulation took place in the provincial

Mr. *Backhouse*—continued.

Mr. *Palgrave.*

24 June 1875.

circulation of the Bank of England. That table is not at present in type; but it is a very important table and the statement from which it is copied as an extremely valuable one, (Vide *Appendix.*)

5531. The Act of 1844–45 directed that certain portions of the circulation of the Bank of England, for instance, when beyond the limit fixed at that date at 14,000,000 *l.*, and the Scotch and Irish circulation when beyond the amount fixed, should be issued against gold; can you give the Committee any information on this part of the subject?—In Table XVIII., the Committee will find the annual averages of the total circulation of the United Kingdom for the years 1845–74. This Table shows the total circulation, the proportion issued against gold, and the monthly fluctuations under those three heads; and it shows that the fluctuations in the proportion of the circulation issued against gold are greater than in the remainder of the circulation. Perhaps it may be convenient to the Committee that I should state the manner in which that Table was prepared. It is made up in this manner. I will take for example the circulation in the month of January 1874. If honourable Members will look at the circulation of the Bank of England in Table XVI., for January 1874, they will find that in that month it was 25,789,000 *l.* The circulation of the English banks for the same months in Table X., was 5,210,000 *l.* The circulation of the Scotch banks in Table, X. was 5,700,000 *l.* The circulation of the Irish banks in Table XIII., was 6,880,000 *l.*; that is to say, the total circulation for that month was 43,579,000 *l.* The amount which the Bank of England was allowed to issue against securities at that date was 15,000,000*l.*; the total of English provincial circulation allowed to be issued on credit only is 5,210,000 *l.*; the authorised Scotch limit is 2,749,000 *l.*, and the Irish limit is 6,354,000 *l.*; that is to say, of the Bank of England circulation at that date, 10,789,000 *l.* was issued against gold; of the Scotch circulation, 2,951,000 *l.* was also issued against gold; and of the Irish circulation, 526,000 *l.* was issued against gold; making a total issued against gold as the Committee will see in Table XVIII., in January of 1874, of 14,266,000 *l.* The proportion not issued against gold is 29,313,000 *l.* If the Committee will look to Table XX. they will find there the annual averages of the total circulation of the United Kingdom for the years 1844–74. They will find that the branch or provincial circulation of the Bank of England has increased from 6,510,000 *l.* to 9,990,000 *l.* in 1873, which is the latest date to which I can trace it. The circulation of the private and joint stock banks meanwhile has dwindled from 8,170,000 *l.* down to 4,980,000 *l.*; that is to say, that the private and joint stocks circulation is 3,200,000 *l.* less, and the Bank of England provincial circulation is 3,400,000 *l.* more; that is to say, the provincial circulation of the Bank of England has taken the place of the country note circulation. If honourable Members will continue looking through this Table they will observe the amounts of the circulation issued against gold, and the circulation not issued against gold given annually (Table XX. in Columns 15 and 16), during those periods and in proportion as the circulation issued against gold increases, if they will look to the column which contains the proportional figures, they will ob-

Mr. *Palgrave.*

24 June 1875.

Mr. *Backhouse*—continued.

serve that in 1859 and in 1860 that proportion is 22 per cent. of the total circulation. If they look on to column 18, which contains the number of changes in the Bank of England rate, they will find that from that point onwards on an average of years the number of changes in the bank rate exceedingly increases, and the range of the rate also increases. I may add, that so far as I can trace it, the great increase in the deposits of English provincial banks has taken place since the year 1860.

5532. From what quarter has the gold required to be held by the Scotch and Irish banks been obtained?—It has been obtained beyond any question from the reserves of the Bank of England.

5533. Have any periodical alterations in the rate of discount charged by the Bank of England coincided with the fluctuations of the provincial note circulation?—The Committee will find the monthly averages of the Bank of England minimum rate of discount in Table XXVII., which contains the monthly averages from 1845 to 1874, drawn out in exactly the same manner and for the same dates as the averages of the note circulation which have been submitted to them. They will find in Table XXVIII. the decennial averages for the same period. If they will look to the month of May for the period 1845–54, they will observe that the proportional figure that stands against it is 99; if they look to the same month for the next decennial period, 1855-64, they will find that the figure opposite it is 101; if they look to the third period, 1865-74, they will find that the figure is 109; that is to say, that the rate charged in May has increased progressively, and is now higher than the average rate of the year in the proportions indicated by these figures. November will also be found to increase progressively in the same manner. November is marked in the first decennial period as 110, in the second as 111, and in the third as 116.

5534. Can you quote any opinion from any person of authority in support of this statement?—I may quote from a statement made by Mr. Weguelin who was at one time Governor of the Bank of England, in the Appendix to the Report from the Select Committee on the Bank Acts, ordered to be printed by this House in 1857. In Appendix No. 1 to that Report, Mr. Weguelin makes the following remark: "Now, with regard to the oscillation of the internal circulation of the country, I may notice that there is periodically a demand for currency from the Scotch and Irish banks, which, whilst it produces a most sensible effect upon the Bank of England reserve, is uncontrollable by any action of the bank. At certain periods of the year, especially after harvest, the demand for currency commonly greatly exceeds the authorised issue, and as the excess must be issued on gold deposited in certain specified places, that gold is withdrawn from the bank reserve, to be again restored to it when the reflux of the currency of the Scotch and Irish banks takes place, which is usually in the months of December to March. The Scotch banks very generally exceed their authorised aggregate issue, but with the Irish banks, although the aggregate issue is not usually exceeded, yet it often happens that some are in excess whilst others are under the authorised amount, but as each bank has to provide for its own excess, the demand on the London bullion reserve is as great as if the whole Irish circulation had gone beyond its limit. The banking reserve is acted upon disadvantageously, in similar proportions as practically speaking, it must be understood that the banking reserve is the balance of the total issue after satisfying the wants of the public for circulation." In his evidence, given before the Committee of this House, from the Appendix to which these remarks of Mr. Weguelin are taken, is asked at Question 42: "Is there not a demand upon you at that period of the year" (that is to say, in the autumn) "for Scotland and Ireland"? His answer is: "There is a demand for coin, but not for notes." Then Question 43 is: "That coin being intended to sustain the increased local circulation in Scotland and Ireland?—(*A.*) Precisely so. (*Q.*) Is there not a corresponding demand in the same period of the year for an increased circulation in England and Wales?—(*A.*) Yes, we think there is, but we cannot trace that so well as we can the Scotch and Irish demand. The reason why we can trace the Scotch and Irish demand better than the English demand is this: that by the law of 1845, by which the Scotch and Irish banks were regulated, those banks are bound to deposit a certain amount of coin in specified places for any amount of notes issued by them beyond the amount authorised under those Acts. (*Q.*) That is to say, if there be a demand for increased circulation of small amounts for retail transaction, it will be transacted in England and Wales by an increase of the metallic currency, but in Scotland and Ireland by an increase of small notes which must be increased by the demand upon you for bullion under the present law?—(*A.*) That is the operation of it."

5535. While the fluctuations of the provincial note circulation have continued to increase, have the fluctuations in the rate of discount increased or not?—Those fluctuations in the rate of discount at the two periods of the year to which I have called the attention of the Committee, appear to me to correspond in increase with the increase of the demand made by those circulations, exactly in the manner specified by Mr. Weguelin.

5536. Can you give the Committee any other reason than those which you have mentioned for believing that those fluctuations are dependent upon the demand for gold for Scotland?—It is impossible for me to show the Committee any other authorised statement of the rate of discount prevalent in this country during the last 30 years, than that charged by the Bank of England; but if they will look to Table XXIV. and Table XXV., they will find the average rate of discount for first-class bills for the 20 years 1825-44. I am unable to quote the Bank of England rates for those periods, as during the greater part of that time the Bank of England followed very nearly an uniform rate. But this table is taken from Mr. D. B. Chapman's evidence before the Select Committee of this House on the Bank Acts, 1857. If honourable Members will look at Table XXV., which contains the decennial averages made out in precisely the same manner as all the other decennial averages in these tables, they will observe in the 10 years 1826–34, that May is the average of the year. In the 10 years 1835–44, the rate in May is considerably below

Mr. *Backhouse*—continued.

below the average of the year, and though the rate in November is high as compared with the average of the year, yet, in neither of those decennial periods is it by any means the highest in the year. This appears to me to indicate that for these 20 years, which are the nearest 20 years which I am able to offer to the Committee as a basis for comparison, there was no exceptional demand for the means of discount during the month of May or the month of November.

5537. The figures which you quote show that the fluctuations before 1844 do not coincide as to the period of the year with the fluctuations after 1844; can you give any other reason for believing that the fluctuations in the bank rate are increased in intensity by the Scotch demand at the present time?—In Table XXX., which is the last table of this series, honourable Members will find the Bankers' Clearing House Return for the years 1868–74. The reason that I am unable to give the Committee information upon this point as to any earlier date is, that the Clearing House Returns were not published regularly until the year 1868, when they began to be published regularly, through the intervention of the honourable Baronet the Member for Maidstone.

Sir *John Lubbock.*

5538. They were published in 1839, were they not?—Only a portion of them, and in a very imperfect manner; I have brought out in this table the weekly average in the months of the whole of the period exactly on the same principle as the other averages. If the Committee will look to the last table in that series which contains the weekly averages during the seven years, 1868–74, they will see that the average amount passed through the Clearing House, which we may take as an indication in some degree of the business done in this country, is in the month of May distinctly below the average of the year, and that November is also below the average of the year; I think that I am therefore justified in the conclusion that the increase in the rate of discount is coincident in time with the increase in the Scotch and Irish demand.

Mr. *Backhouse.*

5539. What do you, hence, believe would be the result of abolishing the provincial note circulation, and centralising it in the Bank of England?—I am fully aware that tables like these can give only the mere dry bones, as I may say, of a subject like this; but I think that these tables show that if the provincial circulation were abolished and centralised in the Bank of England, or in any central bank of issue, the fluctuations in the demand upon the reserve of such a bank would be increased and augmented, and the fluctuations in the rate of discount would be increased and augmented in the same manner.

5540. If the country circulation were abolished, would such a measure affect the interests of the individual banks only, or the general interests of the country?—I think that the statement shows that such an abolition would affect not merely the interests of the individual banks, but that its extent would spread far further. Narrow as the subject appears to be at first, we find that it affects the interests of the country at large to its fullest extent.

Mr. *Backhouse*—continued.

Mr. *Palgrave.*

24 June 1875.

5541. Can you give us any information as to the understanding of the English banks of issue when the Act of 1844 was passed?—1844 was far earlier than my own time, but I may quote to this Committee the statement made by Mr. Rodwell before a Committee of this House, made on the 23rd of March 1858. Mr. Rodwell was questioned as the feeling of country bankers in England, as to the arrangement made between them and Sir Robert Peel, in the year 1844, and he wrote to two friends of his to ask them to confirm his recollection. The statement is taken from Answer 1276 of the Minutes of Evidence, taken before the Select Committee of this House on the Bank Acts, ordered to be printed on the 1st July 1858. Mr. Rodwell's letter is as follows: "I hope my recollection of what took place at the interview with Sir Robert Peel and Mr. Goulburn will be confirmed by your own. I am very clear upon this part of our history. After talking about the issues, and at the conclusion of the conference, it was asked of Sir Robert, 'Are we to consider that the privilege of issue is to cease at the expiration of the 10 years'? His answer was, 'We cannot tell what a future Parliament may do; but if you meet us frankly now, and offer no opposition to the plan, and carry it out fairly, I see no reason why the privilege should terminate.' I then asked, 'May we, then, in dealing with our own firms in the future compositions of our partnerships, consider the privilege of issue as much a matter of inheritance as the other part of our business'? To which Sir Robert replied that he saw no reason to the contrary, provided no experiments were resorted to on our part to thwart the measures by which the limit of our issues was fixed by the proposed Bill." The answers of Mr. Plumptre, who was at that time Member for Kent, and of Mr. Veasey, who was at that time Member for Huntingdon, were entirely confirmatory of this statement of Mr. Rodwell's. Mr. Rodwell continues: "The whole tendency of the observations made by Sir Robert Peel at the time led us all to the conclusion, not only that the privilege of issue would not be interfered with, but that unless some cause arose the Act itself would be a permanent Act: that is to say, permanent in principle, provided that in the meantime it was found in its operation to work as he expected it to do. Our full impression was that the principle was permanent; that it depended upon the intervening circumstances whether at the expiration of the 10 years the Act should be in any way modified; but he gave us reason to believe that whether disturbed or not, the privilege of our issues should be undoubtedly continued." This statement, I may add, was embodied in Section 64 of the Report of that Committee: "But it does not appear by a reference to the speeches of Sir Robert Peel that he propounded the two measures of 1844 and 1845 as measures of theoretical perfection; on the contrary, they can only be regarded as having been designed to accomplish a great practical object by the least possible disturbance of existing interests. Thus Mr. Rodwell: 'Then the general result of those interviews was to leave upon your mind the impression that the measure was intended to be a great step in advance towards the establishment of one central issue, which was to be arrived at by voluntary arrangement? I thought that the

Mr. *Palgrave.*

24 June 1875.

Mr. *Backhouse*—continued.

tendency of the views of Sir Robert Peel was that that would be a natural result; but I thought that his view was that whether that consequence ensued or not the arrangement was a continuing arrangement with the country bankers, in order that that Act might pass without any opposition on their part.'" I may state that the Act of the 5th of June 1856, intituled, "An Act to continue certain compositions payable to bankers who have ceased to issue bank notes," which repealed Section 25 of the Act of 1844 in its second clause, states: "All the compositions payable under the said Act as amended by this Act to bankers who have discontinued, or who shall agree with the said governor and company to discontinue the issue of their own bank notes, shall, if not previously determined by the Act of such bankers as by the said Act provided, and unless Parliament shall otherwise provide, continue in force and be payable until Parliament shall prohibit the issue of bank notes as defined by Section 28 of the said recited Act, or until the exclusive privileges of the said governor and company mentioned in Section 27 of the said Act shall be determined in pursance of such section, or otherwise be determined or altered by authority of Parliament." Country bankers, I may say, have entirely held the opinion of Mr. Rodwell as the one by which they were to be guided.

5542. Will you state the substance of Mr. Freshfield's paper written at that time, as to the gold in the Issue Department of the Bank of England?—A paper was prepared by Mr. Freshfield for the information of the Chancellor of the Exchequer in November 1856. That paper will be found in Appendix No. 17, to the Report of the Select Committee on the Bank Acts, 1858 (page 427). Section 10 of that Paper is as follows: "That the provisions of the Act are not for the benefit of the note-holders, but for ascertaining the limit of issue, is clear, not only from the general policy of the Act, but from the contemporaneous enactments as to banks in Scotland and Ireland, where the issue is equally limited by the amount of bullion without any provisions that could tend to secure that bullion to the note-holders."

5543. Can you put any statement in as to the capital of the London Joint Stock banks in 1844 and in 1875?—In evidence given before the same Committee of this House as that from which Mr. Freshfield's statement is taken, it appears that on the 31st December 1844, the deposits of the joint stock banks in London were as follows: the London and Westminster Bank, 2,676,741 *l.*; the London Joint Stock Bank, 2,245,330 *l.*; the Union Bank, 1,591,200 *l.*; the Commercial Bank, 239,622 *l.*; the London and County Bank, 1,231,412 *l.*; the total being 7,984,305 *l.* The capitals of those banks, as far as I can ascertain from the Banking Almanack of 1845, were, at the same dates, of the London and Westminster Bank, 800,000 *l.*; of the London Joint Stock Bank, 600,000 *l.*; of the Union Bank, 422,900*l.*; of the Commercial Bank, 80,000 *l.*; and of the London and County, 160,000 *l.*; the total being 2,062,900 *l.* The corresponding amounts of the deposits of the 11 London banks in 1874 are given in the "Economist" of the 13th February 1875, as being 96,900,000 *l.*; their acceptances and other liabilities, 13,900,000 *l.*; their total liabilities, 110,800,000 *l.*; and the amount of their capitals and reserves is stated to be 12,500,000 *l.*

Mr. *Backhouse*—continued.

Chairman.

5544. You stated just now that you considered that the abolition of the provincial issues would prejudicially affect not only the issuing banks, but the interests of the country generally; will you state a little more fully why you consider that it would prejudicially affect the the interests of the country generally?—If the provincial note circulation were abolished, it is perfectly clear that some other note circulation must take its place. If honourable Members look at Table XX., in column 7, as compared with column 2, they will see that step by step as the circulation of the private banks has declined, so the provincial circulation of the Bank of England has taken its place. The excess circulation of the Bank of England is issued against gold. It appears to me that if the fluctuations which I showed the Committee existed in the English country note circulation were transferred to the circulation of the Bank of England, it would affect the reserve in exactly the same manner as the fluctuations in the Scotch and Irish demand. Those fluctuations, as I have shown to the Committee, correspond with the fluctuations in the rate charged for discount by the Bank of England. It appears to me, therefore, probable that a similar result would follow from transferring the English country note circulation to the central circulation of the country.

5545. Do you consider that the withdrawal of the provincial issues would affect the interests of the particular parts of the country where there are now provincial issues?—I cannot doubt that it would inflict great inconvenience upon those parts of the country.

5546. Why should it be more inconvenient to those parts of the country, where there is a considerable issue, to have that replaced by Bank of England notes than it is for those parts of the country in which there is only a small issue to carry on all their business by means of Bank of England notes?—I think that the public, as well as the bankers, share in the advantages of the issues. The provincial issue enables the country bankers, so far as they possess it, to carry on their business on more advantageous terms; and therefore I think that the public would suffer if that privilege were withdrawn from the provincial bankers.

5547. I observe that in Table IX., in which you give the authorised and actual circulation of the issuing banks, the bank which stands at the head of the list with 99 per cent. of its authorised issue actually issued, is a bank in the city of Carlisle, which has an authorised issue of 19,972 *l.* and an actual issue of 19,857 *l.*; and that the bank which stands at the end of the list is the Monmouth Old Bank, which has an authorised issue, 16,385 *l.* (which is not very far short of that of the Carlisle Bank), but an actual issue of only 2,720 *l.* Can you point to any differences between the circumstances of the neighbourhood of Carlisle and those of the neighbourhood of Monmouth, which should make it necessary or desirable in the one case that there should be a large proportion of the authorised circulation issued and in the other case not so desirable?—The Right honourable Gentleman has

Chairman—continued.

has selected the extreme points in this table, and I am afraid that I cannot give him exact information as to the position of the last bank which he has named. I conclude that there must have been some exceptional circumstances with which I am not acquainted.

5548. I understood you to say with regard to this table generally, that the banks which issue a large proportion of their authorised issue would be found in the most advanced and advancing parts of the country, and that those which issue the smallest proportion of their authorised issue, would be found in the more stationary or declining parts of the country; am I not correct?—I made that as a general statement, and I think a reference to column 5, in which the name of the place and the description of the locality are given, bears out this statement in a general way; but there are undoubtedly exceptional circumstances in every locality; I may add that I have found the circulation in the mining districts vary very much more than in any other district of the country, and I cannot account for it, but I have not had time to make inquiries upon that point.

5549. Do you suppose that that can be due at all to the practice of paying the wages chiefly in gold and in small coin?—It is highly possible that there is a much greater circulation of gold in those districts now than there was in the year 1844. I have made inquiries from one or two banks upon this point, and I find the experience of one bank at Sheffield to be as follows: "In 1843 we paid away from 4,000 *l.* to 5,000 *l.* weekly; people apologised then for asking for gold. Notes were paid to manufacturers, who clubbed a lot of workmen together, and those got change at a public-house. We now pay away from 35,000 *l.* to 40,000 *l.* in gold and silver weekly, whilst our returns have increased four-fold since 1848. We could not quite double our note circulation, but our payments in gold have, as above shown, increased at least five or six-fold." That is an answer from a gentleman banking at Sheffield. I may add generally that this statement is borne out by the information which I have received from other parts of the country. This is a statement from a bank at Manchester: "In 1859 the cash payments, coin and notes, were about 53 per cent. of the total turnover of the bank; in 1864, they were about 42 per cent. of the total turnover; in 1872, they were about 32 per cent; in 1864 the coin was about 8 to 10 per cent., and the notes 92 to 90 per cent. of the total payments in cash; in 1872 the coin was about 15 per cent., and the notes 85 per cent. of the total payments in cash." The progressive decline in the use of notes thus indicated is remarkable; the influence on the amount of the manner of the payment in wages in this respect is very great. I have received the following statement from the last-mentioned bank with regard to payments of this description: "When one of our railways began to pay weekly instead of fortnightly, we had to give them double the amount of silver, and nearly double the amount of half-sovereigns that we had done previously."

5550. Then I understand that we are not to take the arrangements of the banks in Table IX. as evidence that the amount of the provincial circulation varies simply according to the prosperity or otherwise of the district, but that it is affected by the local circumstances of the district?—I had endeavoured to indicate that fact by the statement as to the remarkable increase in the deposits of some banks, the circulation of which had, nevertheless, exceedingly diminished.

5551. The remarks that you have just made with regard to the change in the amount of the circulation consequent upon changes in the mode of payment of wages, seems to show that if there were a small note circulation, the proportions of the issue would probably be very different from what they are now in many localities; would that be your view?—There is no question that such would be the case, but I trust we may never see a small note circulation in England.

5552. But supposing that there were a small note circulation in England, it is probable, is it not, that there would be a much larger provincial issue in those parts of the country where wages are now paid in sums below 5 *l.*?—I cannot in the least doubt that there would be a very large increase indeed in the provincial circulation if there were a small note issue.

5553. Can you state what difference it would make to those localities if notes of the branch banks of the Bank of England were substituted for notes of the provincial banks?—I think that they would be subject to those inconveniences as to obtaining gold in payment for those notes, which were mentioned before this Committee in the evidence of Mr. Seebohm. I may also mention that I understand that in some manufacturing places it is the practice of persons who have no banking accounts to obtain notes of the local banks, in order that when their pay days for wages come they may present those notes to the local banks and obtain gold for them. Of course, if there were no provincial issues they would be unable to obtain similar advantages unless there were branches of the Bank of England in every town throughout the country, as the branch notes of the Bank of England are only payable at the particular branch at which they are issued.

5554. What is the nature of the arrangement that is made by a provincial bank of issue when it surrenders its issue, and undertakes to issue Bank of England notes?—I have no precise information upon that point.

5555. Do you mean to say that you consider that a person who has obtained a 5 *l.* Bank of England note would be able to get change for it at the bank?—I think he might not be able to get change for it; it would be an act of grace and courtesy on the part of the bank to give him change for it, unless he happened to be a customer.

5556. If arrangements could be made by which he would be sure to get it changed, that argument of yours would fall to the ground, would it not?—Obviously.

5557. Can you imagine any other disadvantage that would arise from the substitution of Bank of England notes for provincial notes?—I think that the issuing banks would be at considerably greater expense in carrying out their business, for the reasons which have been stated before this Committee in the evidence given by the Scotch banks as to the till money.

5558. How do you account for the fact which you have mentioned, that the provincial circula-

Mr. *Palgrave.*

24 June 1875.

Chairman—continued.

tion has been declining, and that the circulation of the branch banks of the Bank of England has been taking its place?—I think that in many places the provincial banks have ceased to issue where there are branch banks of the Bank of England. I must add, however, that this statement as to the provincial circulation of the Bank of England, beyond any question, understates very considerably the real amount of Bank of England notes actually circulated by banks in the provinces. I understand from the National Provincial Bank, for instance, that they obtain all the notes issued at their branches from London. Those notes, of course, figure in the metropolitan circulation of the Bank of England, whilst they are really circulating in the country. I may add, also, that it is our own practice, and that of a great many other bankers with whom I am acquainted, to obtain the Bank of England notes that they require from London, instead of applying to the nearest branch bank of the Bank of England.

5559. Do you know at all how the London and County Bank conduct their business?—I have never inquired, but my own impression is, that their mode of conducting the business would be found to be similar to that of the National Provincial Bank.

5560. And that they obtain notes from London?—It is obviously so much more convenient to obtain your notes from London than from any other source, that I cannot doubt that most banks follow that practice.

5561. What is the practice with regard to cashing notes obtained from London; is it easier, for instance, to obtain change in Manchester for a Bank of England note issued in London, than for a Bank of England note issued at Plymouth?—I have received information which leads me to think that no difference is made as to the particular name of the branch which is on the note.

5562. But would there be any difference between the notes of the head office and the notes of the branches of the Bank of England?—I should think not.

5563. You would be quite certain of being able to cash a Bank of England note issued by the Plymouth branch at the Plymouth branch?—Without doubt.

5564. But it would not be so certain that you would be able to cash at the Plymouth branch one issued at the Portsmouth branch?—I presume not.

5565. Or one issued at the head office?—I conclude that the cashing of such a note would be an act of courtesy on the part of the manager or the cashier of the branch Bank of England.

5566. When you said a little while ago that some of the provincial banks which have the highest amount of actual issue in proportion to their authorised issue, did not re-issue notes at all, what did you mean?—I should have stated that they practically only re-issue such notes as come in. They never, as it were, re-issue a fresh note in that sense.

5567. Do you mean by that that they do not strike a new note upon a new piece of paper in place of the one that came in?—I do not mean that; I mean that they practically cannot issue any more notes; that they can only issue to the extent of the notes that come in during any particular period.

Chairman—continued.

5568. But if they are nearly up to their authorised issue, is it not manifest, without saying anything upon the point, that they can only issue the same notes?—I do not think it is so clear. A bank might have an actual issue which approached fairly closely to its authorised issue, and yet have some fluctuations in that issue; but I find practically that those banks which are close to their authorised issue scarcely vary at all in the weekly return from the particular amount. If I were to show the Right honourable Chairman some of the statements from which this table was prepared, he would see this point very clearly.

5569. Those banks which are close upon the limit of their authorised issue remain very steady in the amount of their issue?—I will take the Leeds Bank, Messrs. Beckett & Co.; I observe, in looking down the statement of their issue, that they have scarcely varied above 15,000 *l.* in any one week during the whole of the year 1874; I mean that their highest week was scarcely more than 15,000 *l.* above their lowest week.

5570. But there are great variations at the other end of the scale, which are much below their authorised issue?—I mentioned the instance of our own circulation at Yarmouth during the herring fishing. I take the daily statement of the issue here. I observe that in the year 1873, between the 15th of December and the 22nd of December, a period only of seven days, our note circulation at Yarmouth increased 27,000 *l.* If we had had to apply to the Bank of England, we should, beyond all question, not have considered ourselves safe without less than 50,000 *l.* in either gold or Bank of England notes, but the demand was met by our own notes in the manner that I have stated.

5571. Then you infer that the provincial issues are more important in those parts of the country where fluctuations of a rather sudden, or so to speak, violent character occur, than in those where the demand is very stationary?—I do not think that it is to be inferred that the demand is stationary for notes in those places in which the banks stand close throughout the year to their authorised limit; for in those places, as I understand from every banker there, they are constantly in the habit of issuing Bank of England notes, in order to keep within the amount of their authorised issue. It is obvious that we do not see in this Table what the true fluctuations in a country note circulation would be, because of the limits imposed by the Act of 1844; the Scotch circulation, I may say, on the contrary, exhibits exactly what the real fluctuations of such a circulation would be.

5572. Then you think that it is probable that in some of those banks which are nearly up to their authorised limit, there are fluctuations similar to those which you have been mentioning in the case of your own bank, but that those fluctuations are met by the issue of Bank of England notes?—Bank of England notes and coin, beyond any doubt; it is obvious that a banker must supply his customers with what they require, and if he cannot supply his own notes he must supply those of the Bank of England.

5573. But if those bankers who stand at the head of your list are able to meet their fluctuations by the issue of Bank of England notes, why should not the bankers who stand lower down in the list be able to meet their fluctuations by the issue

Chairman—continued.

issue of Bank of England notes?—Beyond any question they would, but then the result would be that those fluctuations would be immediately transferred into the circulation of the Bank of England.

5574. But in the case of those banks which you say are ordinarily up to their authorised issue, and which still have to meet fluctuations by the issue of Bank of England notes, those fluctuations must be borne by the Bank of England?—And I cannot doubt that they have tended to increase the fluctuations in the proportion of the circulation of this country issued against gold. If the members of the Committee will have the goodness to look through Table XVIII., which contains this statement, they will observe, that as the years go on, and the country note circulation has either been extinguished or become proportionally less able to meet the requirements of each locality, so the fluctuations in the proportion of the general circulation issued against gold tend to increase likewise. I may state that we may consider that the circulation as fixed by the Act of 1844, probably confirmed to a considerable degree to the wants of each locality; although I have received information in the course of my correspondence with the many banks to whom I have written, in order to obtain the information which I have given to this Committee, that in some peculiar cases, owing to the trade of their district being in a depressed state in 1844, the circulation which they were allowed at that period did not correspond with the actual requirements of the district on an average of years.

5575. Then does your argument point to this, that it would be desirable to increase the present limit of the country provincial issues?—I do not know that it tends to that; it appears to me that the country note issues would be in the main sufficient, if they were able to be used to their utmost extent; the manner in which they are locally placed over the country prevents that from being possible.

5576. Would you then try to re-arrange the provincial issues?—That is a very large and difficult question and I should wish in answering it to express my own opinion merely, and not to be supposed to speak for any one else; I think there are restrictions placed by the Act of 1844, as to the transference of the circulation from one bank to another bank, which have been uncertain in their working. They have given those banks which possessed an issue a property to keep, which is not a property to sell. Those banks, therefore, retain their issue. If they had been allowed the privilege of amalgamation on the same principle as the Scotch banks, I take it that we should find the English circulation far closer to its authorised limit than it is at the present moment.

Mr. *Goschen.*

5577. That is to say, that if the privilege which, according to your reading of Sir Robert Peel's statement, you inherited could also be sold your inheritance would be still more valuable?—Perhaps the Right honourable gentleman will allow me to remark that I have made no statement to that effect on my own account; I have simply read the statement of Mr. Rodwell and the Report of the Committee of this House.

Mr. *Goschen*—continued.

5578. But do you hold it to be an inheritance?—I take Mr. Rodwell's view to be the correct one.

5579. And you think that it is an inheritance?—Yes; I stand by Mr. Rodwell's view.

5580. And that that inheritance would of course be more valuable if you were not only able to make use of it yourselves but could sell it to another bank?—If we sold it to others, I conclude that we could not use it ourselves.

5581. But its value would be greater if it were saleable as well as being such as you could turn to your own purposes?—Beyond question.

Chairman.

5582. With regard to the question of this privilege being an inheritance, what is the interpretation which you put upon those words in the Act of 1856, which you quoted, in which the privilege is continued, viz., "until Parliament shall prohibit the issue of bank notes, as defined by Section 28 of the said recited Act"?—It appears to me that the reading of the Act implies that those compositions payable to bankers, and as I understand it, the arrangement upon which their issue stood, should remain in force "until Parliament shall prohibit the issue of bank notes, as defined by Section 28 of the said recited Act, or until the exclusive privileges of the Governor and Company of the Bank of England mentioned in Section 27 of the said Act shall be determined." I conclude that there is no other meaning to be placed upon that than that of the words.

5583. Do you suppose that it is ordinarily the case in Acts of Parliament that words are put in to the effect that such and such is to be the law until Parliament shall determine something else, unless it is intended to convey a notice that Parliament may probably at some future time determine something else?—I have not intended to convey to the Right honourable gentleman any opinion on my part, that it is not within the power of Parliament to determine the privileges of country bankers, but merely that they understood, in consequence of the statement made by Sir Robert Peel to Mr. Rodwell, that so long as they continue not to trespass against the intentions of that Act they would be allowed the possession of those privileges which they at that time enjoyed.

5584. Then you do not think that their privileges would have appeared to be at all upon the former footing if these words, "until Parliament shall prohibit the issue of bank notes, as defined by Section 28 of the said recited Act," had been omitted from the Act?—Perhaps it would be better that I should read Sir Robert Peel's words: "Sir Robert Peel replied that he saw no reason to the contrary," that is to say as to the continuance of the right of issue, and regarding it as an inheritance, "provided no expedients were resorted to on our part," that is on the part of the country bankers, "to thwart the measures by which the limit of our issue was fixed by the proposed Bill." I may mention in explanation of that that it might have been possible for bankers to contravene the intention of the Act by issuing short dated bills under peculiar circumstances, but that the country bankers, as a body, most honestly and firmly stood by the Act of 1844, and have never attempted

Mr. *Palgrave.*

24 June 1875.

Chairman—continued.

tempted to thwart it in any way; I conclude that that is what Sir Robert Peel referred to.

5585. But are those words of Sir Robert Peel's put into the Act?—It was a conversation between Sir Robert Peel and Mr. Rodwell which was mentioned in evidence before that Committee.

5586. I am not asking you as to any conversation between Sir Robert Peel and anybody else, but as to the language of an Act of Parliament; and I want to know what is the interpretation that is put upon those words which are of a very peculiar character, introduced into an Act of Parliament, "until Parliament shall prohibit the issue of bank notes." It does not say "until bankers shall violate some of the conditions imposed upon them," but it seems expressly to reserve to Parliament the right at its own pleasure of prohibiting the issue of bank notes; my view is that the words "the issue of bank notes," refer to the issue of notes of the Bank of England. I understand that Section 28 refers to the issue of all banks, Bank of England as well as private banks.

5587. Will you read Section 2 of 19 & 20 Vict. c. 20, the Act of 1856?—"All the compositions under the said Act, as amended by this Act, to bankers who have discontinued, or who shall agree with the said governor and company to discontinue, the issue of their own bank notes, shall if not previously determined by the Act of such bankers as by the said Act provided, and unless Parliament shall otherwise provide, continue in force and be payable until Parliament shall prohibit the issue of bank notes as defined by Section 28 of the said recited Act."

5588. Now will you turn to Section 28 of the Act of 1844?—7 & 8 Vict. c. 32, s. 28, is as follows: "And be it enacted that the term 'bank notes' used in this Act shall extend and apply to all bills or notes for the payment of money to the bearer on demand, other than bills or notes of the Governor and Company of the Bank of England; and that the term 'Bank of England Notes,' shall extend and apply to the promissory notes of the Governor and Company of the Bank of England, payable to bearer on demand."

5589. That section gives an interpretation to the words "bank notes," does it not?—Clearly.

5590. And the 2nd Section of 19 & 20 Vict. c. 20, the Act of 1856, contemplates Parliament at some time possibly prohibiting the issue of bank notes so defined, does it not?—I do not know that it contemplates the prohibition of issues it states that such a fact is possible.

5591. Do you think that it is very common in an Act of Parliament to say that such and such a thing shall be done until Parliament shall do something else; unless Parliament shall do something else; unless Parliament has contemplated that doing something else as being at least within the range of probability?—The right honourable gentleman has far greater experience in Acts of Parliament than I have; but is it not the case that in Acts of Parliament powers are frequently reserved which it is not intended should be put in force.

5592. Have you at all considered the question of giving securities for bank issues?—If the right honourable gentleman will have the goodness to look at Table IX., page 23, he will observe that the bank against which the number 49 is placed, is a bank which possessed an actual issue of 81 per cent. of its authorised issue. I find, on investigation, that the banks which at the present time keep in circulation above 80 per cent. of their authorised issue have an authorised issue of 3,271,448 *l.*, and an actual issue of 3,030,361 *l.*; that is to say, collectively they issue 92 per cent. of their authorised issue. Those banks which have 80 per cent. and below of their actual issue at the present time, possess an authorised issue of 3,189,537 *l.*, with an actual issue of 1,846,539 *l.*; that is to say, the actual issue of these other banks who are 89 in number, whilst there are 78 in the previous division, is only 58 per cent. of their authorised issue. I conclude that this question is put to me from a practical point of view, and not as a matter of principle; for I think as a matter of principle we must all be agreed; and I think that the right honourable gentleman will see that there will be at once a vast difficulty in applying the question of giving security by the banks with the lower proportion of issue. They have collectively an authorised issue of more than 3,000,000 *l.*, but an actual issue of less than 2,000,000 *l.* I presume that any question of security would apply to the authorised and not to the actual issue. If it were applied to the actual issue, and those banks were for the future confined to their actual issue at the present time, it would amount, I think, in the opinion of the country banks, to a confiscation of so much of that part of their right of issue. Therefore the right honourable gentleman will see in what a difficulty he would place those banks. They have to meet their notes in their own district and also in London; it would be necessary that they should find security, we will say, for 3,000,000 *l.*, and also for the cashing of 2,000,000 *l.* of notes, which, I think, could not be estimated at less than, keeping in reserve, 1,000,000 *l.* more; that is to say, those banks would have to set aside 4,000,000 *l.* in order to provide for about 2,000,000 *l.* of actual circulation. I should not wish it to be understood from this statement of mine that those banks would have any difficulty in providing the security.

5593. When you say that, upon principle, we are all agreed, what is the principle upon which you consider that we are agreed?—That no notes should be allowed to circulate upon which there is any reasonable probability of any loss being incurred by the public.

5594. That is another point; the question is whether it is desirable that security should be given for the notes which are issued, and I want to know whether you think we are agreed in principle upon that?—I think that my last answer conveys the impression which I desire to give.

5595. Do you mean by your answer that, in principle, no note should be allowed to circulate against which securities were not known to be held?—If I might alter the question to "believed to be held," my answer would be a precise affirmative.

5596. Then do you mean that the security of the note depends upon the belief or upon the fact?—Merely that as a matter of fact with regard to the private banks this information cannot be known.

5597. The question of principle upon which you say we are agreed, but upon which I do not yet

Chairman—continued.

yet feel quite clear whether we are agreed, is whether a bank ought to have a right of issuing, say 10,000 *l.* of notes absolutely and without conditions, or whether the State should impose any conditions upon the issue of that 10,000 *l.*, in order to secure the 10,000 *l.* of notes being always convertible, do you think that the State should impose any such conditions?—I consider that there would be no intention of allowing unsound banks to issue, supposing that there were any unsound banks.

5598. You will understand that in my questions I do not intend to throw the smallest imputation upon the perfect ability of the banks to meet the amount of notes which they are authorised to issue; but that is a different question from the authorisation of their issue being given conditionally or unconditionally; at present, as I understand, it is given conditionally, and a certain bank is authorised to issue to the amount of 10,000 *l.*; do you think that it would be right and reasonable, if it were practicable, to call upon that bank to give security for the 10,000 *l.*?—I have endeavoured to state one of the practical difficulties which would arise if such a proposal were carried out, which I think will be very obvious, if the right honourable gentleman examined the statement of the proportion which the actual issue of a great many banks bears to their authorised issue.

5599. Then you mean to say that the inconvenience which the application of the principle would involve, overrules the principle itself?—I meant to say, that it might impose a great hardship upon many banks whose circulation is considerably below their authorised limit.

5600. Would it impose that inconvenience upon banks that were issuing up to the full amount of their authorised limit?—I should consider that the inconvenience would not apply to them in the same manner.

5601. Supposing that all banks were issuing up to their authorised limit, should you then raise the objection?—It is obvious that that objection would be diminished in proportion as their actual circulation approached their authorised circulation.

5602. Do you see any very great object in a bank having an authorised circulation greatly in excess of its actual circulation?—I conclude that no bank would willingly see the amount of its authorised issue diminished.

5603. But supposing that a system were adopted for good reasons (and understand that I am only putting the question hypothetically, and not as at present recommending the principle) under which security was required to be given for the authorised issues, and that that involved very little pressure upon the banks that issued up to their limit, but considerable pressure upon those that issued within their limit, would it not be probable that the banks which issued systematically much within their limit, would desire to have the limit brought down to something like the amount of their actual issue?—I am hardly prepared to answer that question, as there are so many banks involved in this part of the question, who might have reasons for desiring the contrary.

5604. It would be a matter for each bank to decide for itself, whether it was worth while to incur the additional expense which the giving of

Chairman—continued.

security would involve on an issue which it did not use, or whether it was better worth its while to reduce the amount of the issue which it did not use?—I conclude that that would be the case.

5605. Then each bank would determine for itself what was best worth its while to do?—No doubt it would have to do so. There may be peculiar circumstances and reasons why the issue of 1874 did not correspond with the usual average issues.

5606. Supposing that, leaving the banks to come up to their authorised issue without giving security, they were entitled to issue over and above the amount of their authorised issue on giving security for the amount of their over issue, what should you say to that?—I conclude that those banks who at present are close to their authorised issue would be very glad to extend their issue.

5607. Giving security?—That I am not in a position to answer.

5608. Have you ever considered the question, by what process a value might be ascertained for the amount of the issue of a particular bank?—Supposing that a bank had an authorised issue of 10,000 *l.*, could you give us a formula by which the value of that 10,000 *l.* issue could be ascertained, so that, if it were bought up, a price could be given for it?—I think that it is extremely difficult to ascertain the real value of an issue to a bank. It has been stated, I believe, in evidence before this Committee that the National Provincial Bank considered their issue, which was about 400,000 *l.* in amount, as being equivalent to the use to them of 1,000,000 *l.* of deposits; and I think that that answer will explain how difficult it is to place a value upon a right of this description.

5609. You would not yourself suggest any method by which the value could be ascertained?—It is an extremely difficult question to answer; it is a right in use which it is very difficult to appreciate in money.

5610. You cannot take, for instance, the amount of the issue, and reckon that as producing a certain sum per annum according to the amount of the rate to be earned upon that, and deduct from that the expense of keeping up the circulation, and so arrive at the annual profit?—I think that the mere money value of the issue estimated in that sense only inadequately represents the value of an issue to a country bank. As I have previously mentioned, it appears to me that the circulation has invariably, in every country in which banking has been widely extended, preceded and fed deposits; that is to say, that persons have been attracted or brought to a bank through the fact of their holding the notes of such bank. I think that from that point of view the right of issue possesses a value beyond its mere money value, estimated in the manner which the right honourable gentleman has just stated.

5611. Do you think that in those parts of the country, where there are no provincial banks of issue, but where there are other banks which are not banks of issue, or where there are branch Banks of England, people are not attracted to the banks?—I mean attracted in this manner: that having notes of an issuing bank in their hands they would naturally be brought to such a bank in order to obtain change for their notes, and

Mr. *Palgrave.*

24 June 1875.

Chairman—continued.

naturally would be led, if they had an unusual number of the notes of such a bank in their possession, to place them on deposit or on an account with such a bank.

5612. You think that in fact the notes act as a sort of advertisement?—Certainly.

5613. But if they had a number of Bank of England notes they would wish to deposit them somewhere, would they not?—They might, and if there was a branch of the Bank of England in such a town, I think it more likely that they would be attracted to the Bank of England; but it must be remembered that the Bank of England allows no interest upon its deposits.

5614. But people would soon find out whether a bank allowed interest or not, I suppose, whether they used any particular notes or not?—Certainly; but I believe it is the practice of all issuing bankers in England to allow interest upon their deposits.

Mr. *Goschen.*

5615. Do you think that that tendency which you have just described is partly due to the fact that the public hold a certain number of notes of a bank of issue, and that they are accustomed in that way to give credit to that bank, and say, "Well, we may as well give them credit in the form of deposits as hold their notes"?—I think that persons who receive the notes of a bank in the way of their business, and who have for years done so, cannot fail to be guided in their estimate of the credit of the bank by such a fact.

5616. Would they not see that it would be clearly more to their advantage if they held 100 *l.* in notes of the bank, to take those notes to the same bank and put them upon deposit, so as to get interest?—I think that they would be naturally brought to the issuing bank.

5617. And they are familiarised with the fact that the bank deserves credit, and is receiving credit?—They are familiarised with that fact, and also with the existence of the bank.

5618. With regard to your answer as to the practical effect of giving security, I understood you, in your calculation, to assume that security would be held, firstly, on behalf of the authorised circulation; that, secondly, a certain amount of reserve would have to be kept in London; and thirdly, a certain amount of reserve in the till of the bank itself?—Certainly.

5619. What proportion do you consider in those calculations would be held in London and in the till of the bank?—I conceive that such a proportion must vary with the circumstances of each individual bank.

5620. Still you assumed a proportion in your calculation, did you not?—It has been stated before this Committee that various banks held the whole amount of their circulation, and more in the legal tender of this country.

5621. But in the calculation which you submitted just now you assumed, did you not, that a certain amount or proportion would be held in London against the authorised issue, and a certain amount in the tills of the bank?—The circumstances must vary in each case. A bank with many branches, of necessity must hold more.

5622. Will you repeat the proportion that you assumed?—I gave it in a rough manner as being about half of the actual issue.

Mr. *Goschen*—continued.

5623. Held between the two places?—Held between the two places.

5624. Half of the actual issue would be held in London, and in the tills of the Bank itself?—Perhaps I should have said rather, the power of meeting half; but I think it is scarcely possible to apportion it exactly. It has been stated, as I have mentioned, by several banks, that they held in their tills legal tender against the whole amount of their circulation; and, beyond question, they have also reserves in London to meet such notes as might be presented.

5625. But the fact of their giving security would not affect the question, would it. They would hold as much in London, and in their tills, according to your view, after giving security, as they hold now?—I think that it would not affect that question at all.

5626. Therefore we need only look at the question of the securities which would be deposited with the State, or in any other way which might be deemed necessary, without mixing up with it the question of the reserves which would be held?—I think that it shows the amount of the means of such a bank that it would be bound to hold against its circulation.

5627. Do you mean that it would seriously increase the amount of convertible securities held by the banks?—I think that it could not have that effect, and that it could not alter the proportion of those securities at all, except so far as a certain part of the means of those banks are, on this assumption, fixed and set fast as a security against the issues.

5628. Would the requiring of banks to hold securities, in your judgment, necessitate their turning a certain amount of their securities, which at present are not securities such as would be deposited, into a different class of securities?—I should think that, most likely, it would not have that effect at all.

5629. Therefore, would the effect be more than this: that as regards those banks which now hold full available securities against their issues, those available securities would be deposited in one place, instead of being, as at present, deposited in another?—If they were deposited in such a manner they would no longer be available for the general business of the bank.

5630. You mean that it would then be necessary to change the arrangements of the business?—In some degree, unquestionably.

5631. You will understand the drift of the question. You represented to the Committee, did you not, that it might be confiscation if the banks were required to deposit securities?—I did not intend to convey that impression; what I stated was, that if the banks were limited to their circulation as now shown, as diminished at this period as compared with 1844, they would have a greater reluctance to part with the difference between that and their authorised circulation.

5632. I do not wish you in the least to strain your answer, and I am only asking the question in order to make the matter clear; but if in your answer you conveyed to the Committee the idea that it was your view that the requiring of private banks to deposit securities against such issues as they make would be confiscation, that would be an erroneous idea?—I intended my answer

Mr. *Goschen*—continued.

answer to apply to the difference between the two.

5633. To the difference between the authorised issue and the actual issue?—Of each bank; those banks have a power of issuing more than at present they do issue; but I conclude that they would be very reluctant to part with that power. Circumstances might arise which would render that power very valuable to them.

5634. Have you, as a private banker, to complain of any restrictions that are at present imposed by law upon you?—I do not know that we have any complaint to make.

5635. Could your bank come to London and establish a branch here?—Yes, we consider that we have that right as private bankers.

5636. Your position in that respect is different from that of the joint stock banks, is it not?—We conceive it to be so.

5637. Is the point not perfectly clear?—There has been so much doubt thrown upon the law since the commencement of this inquiry, that I should be extremely reluctant to state any point in it that is really clear.

5638. Has the question been raised before the appointment of this Committee, as to whether you had or had not the power?—Is that question meant to apply to the knowledge possessed by my firm?

5639. Knowledge possessed by you personally?—In 1864, when the whole question was raised, it was clear to us that we had the right of coming to London if we desired it. I mean that our right of issue was not on a similar footing to that of the joint stock banks.

5640. In that way you stand upon a more favoured footing than the joint stock banks?—I conclude so, if we choose to avail ourselves of it.

5641. Have you compared your privileges with the privileges of the Scotch bankers?—In my own district those questions scarcely apply as we are beneath our authorised issue.

5642. Would you be beneath your authorised issue if you had the power of issuing against gold?—The power of issuing against gold would not affect our actual issue in any sense.

5643. You are not kept down as regards your present issues by the fact of being obliged to be careful that you do not exceed it?—No, our issue at present represents the requirements of the district.

5644. It might happen, might it not, that bankers who would be anxious to issue up to the authorised limit would be unable to do so for fear that at any moment they might exceed the authorised amount?—Beyond question that is the case with all the banks who are close to their authorised issue.

5645. Is that a restriction upon English bankers which you consider would weigh upon them in any way?—I consider that those banks who are in such a position as that they could issue more if they were allowed to issue against gold, are in that respect in an inferior position to the Scotch banks.

5646. Have you considered the question of the issue of the 1 *l.* note?—I should be extremely reluctant to see a 1 *l.* note issue. I represent a bank which, when the right to issue 1 *l.* notes existed, had an issue of about 100,000 *l.*, and I have no doubt that, at the present time, if the

Mr. *Goschen*—continued.

right existed, we could issue again to that extent, but I should be extremely reluctant to see that power exercised.

5647. Will you explain to the Committee as fully as you can, in every respect, your reasons for that opinion?—I think that, as a matter of principle, no note ought to be allowed to circulate which is the unit of the circulation, as I think it tends to displace the circulation of gold to an undesirable extent.

5648. You consider it to be important that a certain amount of gold should remain in the country, and you consider that the circulation of the unit in that metal promotes the existence of a large amount of gold in a country?—Beyond question.

5649. Could you give any further reasons for the opinion which you have expressed?—I think that in times of panic, or in any time of difficulty, the existence of so large a note circulation would be very undesirable. I think also that there is a considerable risk from forgery.

5650. When you had the issue of 1 *l.* notes did your firm suffer from forgeries?—Perhaps this statement which I have will convey the facts more clearly to the right honourable gentleman (*handing a book to the Right honourable Member*). He will find there specimens of our forged notes and of our genuine notes.

5651. Could you give the Committee any statement as to the amount of forgeries of 1 *l.* notes, either of your own bank or of other banks?—The 1 *l.* note circulation existed a great many years ago, in the time of my grandfather, and I have no information beyond that which is contained in that book. The right honourable gentleman will observe that there are specimens of forgeries not only upon our own bank, but upon other banks in our vicinity. I conclude therefore that the practice of forgery was very extensive at that period.

5652. Supposing that the right were offered to you as a private banker to issue 1 *l.* notes, would the risk of forgery be so great as to induce you to refrain from availing yourself of the privilege?—I think that it would be most undesirable to issue 1 *l.* notes, and I think that the question of forgeries is one of the difficulties which would beyond question arise.

5653. Do you think that it is, or that it is not, a grievance to English issuing bankers, as compared with Scotch issuing bankers, that the one class of bankers may issue 1 *l.* notes and that the others may not issue 1 *l.* notes?—So far as the Scotch banks can issue 1 *l.* notes, they have clearly an advantage beyond the English banks.

5654. But nevertheless you personally, I understand, would deprecate the extension of the 1 *l.* note to England?—Certainly.

5655. It would economise to a considerable extent the use of the precious metals, would it not?—Beyond question I take it that the 1 *l.* notes would supplant the circulation of gold to the extent of such an issue.

5656. I understand you to mean that you think that the economy of the precious metals secured by the circulation of 1 *l.* notes would be dearly purchased by weakening the total amount of gold in the country upon which the aggregate circulation rests?—Certainly.

5657. Could you give any evidence as to the cost of a 1 *l.* note circulation as compared

Mr. *Palgrave.*

24 June 1875.

Mr. *Palgrave.*

24 June 1875.

Mr. *Goschen*—continued.

with a metal circulation?—Does the question apply, may I ask, to a circulation issued against gold; is it simply the wear and tear of the precious metal?

5658. The wear and tear of the precious metal as compared with the cost of fabrication of the 1 *l.* note?—The Right honourable Gentleman will observe in the book which I have handed to him, a specimen of a 1 *l.* note which we issued; perhaps I had better read, in answering him, a letter which I have received from the manufacturers of our notes: "London, 69, Fleet-street, 18th June 1875.—Dear Sirs,—In reply to your letter of yesterday's date, we beg to state that our charge for plate, paper, printing, fronts and backs, and numbering notes, similar to those issued by Messrs. Gurney & Company, of Yarmouth, would be 95 *s.* per thousand notes complete, or 47 *l.* 10 *s.* for 10,000. If the notes were ordered 50,000 at a time there would be a saving of 20 *s.* per thousand notes.—(signed) *Perkins, Bacon & Co.*" At 75 *s.* per thousand, each note would cost nine-tenths of a penny, or about a penny a note; but the mere printing of the notes is only a part of the expense of a note circulation. It is necessary to keep a register of the notes which are written on, and the notes which are written off, and I take it that the expenses upon that would be very considerably more. I do not think that we could estimate the cost of a 1 *l.* note circulation kept in a reasonable condition as being much less than 1½ *d.* per annum for every note issued, and I think that the cost of a gold circulation is very much less than that; I mean that the deterioration in the gold coinage is very much smaller than 2 *d.* a year on each sovereign.

5659. The difference in cost, however, would be more than compensated for by the interest which would be gained by substituting the paper for the gold, would it not?—I think that a 1 *l.* note circulation issued against gold would be far more expensive than a gold circulation itself.

5660. But if it was issued only in part against gold, or if you increased the total issues of the country by 1 *l.* notes without those 1 *l.* notes being represented by gold, then there would be a gain, would there not, which would counterbalance the loss?—That would of course depend upon the proportions between the gold and the securities held against such a circulation.

5661. I understand that you hold decided views against the adoption of the 1 *l.* note system in England?—I think that experience showed that there were great inconveniences in the 1 *l.* note circulation in this country when it existed; and that those inconveniences outweigh the possible advantages of such a circulation.

5662. Have you considered how far the note issue in the country, unrepresented by coin, either by the state or private bankers, might be increased if the system of the 1 *l.* note was adopted?—I have never given that subject any attention.

5663. You have mainly considered the question that gold would be held against the 1 *l.* notes issued?—I assumed the Right honourable Gentleman's question to apply merely to the point, as to whether a note circulation issued entirely against gold was cheaper or dearer than the gold circulation itself; whether, in fact, the circulation of the representative was dearer or cheaper than the circulation of the article itself.

5664. I was anxious to go farther, and to ascertain your opinion upon the point, if you had considered it, how far you might extend the issue of notes without coin being held against them if you diminished the value of the note from 5 *l.* to 1 *l.*?—I have never given that subject any consideration.

Mr. *Goschen*—continued.

Sir *John Lubbock.*

5665. With regard to your technical right of coming to London, that point was never practically raised, was it?—It was never practically raised; we were aware of it. I think the fact that we have never exercised it is a sufficient answer upon that point.

5666. And no other private bank has practically acted upon this supposed right, I believe?—None to my knowledge.

5667. I suppose, that one reason for the reluctance which banks of issue, which are below their authorised issue might feel to having that right taken away from them would be, because they would consider that the time might come in which it would be convenient for them to extend their issue?—Certainly; circumstances might arise in the trade of their district which might render an extension of their issue very valuable and convenient to them.

5668. Supposing, for instance, that the Sub-Wealden borings were to discover coal within a workable distance, the circulation of the banks in the south-east would be very materially increased, would it not?—Beyond any question.

5669. I suppose that there is no question whatever that the banks which are now near their limit of issue would be very glad to have the right of issue to a certain amount against gold, in the same way as the Scotch banks have?—I think that they would be very glad, and that they would find such an arrangement very valuable to them.

5670. With reference to the questions as to the value of the right of an issue to a bank; I presume that the value of the right of issue of, say 60,000 *l.* is very different under the English restrictions from what it would be under the circumstances of the Scotch banks?—The value of the right of issue in Scotland is far greater than the value of a similar right of issue would be in England.

5671. I suppose that the right of issue is much more valuable to a bank with many branches than to a bank with only one branch?—Certainly.

5672. Supposing, for instance, that there was a bank with 100 branches, and that 6,000 *l.* was considered the necessary amount of till money for each branch, of course the branches of such a bank would hold, in the whole, 600,000 *l.* of notes?—Yes, they clearly would.

5673. If the notes were Bank of England notes, or notes of any other bank, that would imply a loss to the bank of the interest on 600,000 *l.*, would it not?—Certainly.

5674. Supposing that such a bank had a right of issue even against gold, and that it considered it necessary to hold a reserve of 15 per cent. against its notes, it would hold a reserve of 100,000 *l.*, that being about 15 per cent. upon 600,000 *l.*, would it not?—Yes.

5675. And therefore such a bank with a right of issue, even if it had to hold gold against the issue, would practically have an advantage of 500,000 *l.*

Sir *John Lubbock*—continued.

500,000 *l.* free of interest, would it not?—Yes, precisely in the same manner as the Scotch banks, as I understand it, have an advantage.

5676. So that the value of the right depends upon the number of the branches of the bank?—It is augmented by the number of the branches of the bank.

5677. Increasing the number of the branches increases the value of the privilege, does it not?—Unquestionably.

5678. And again a good deal would depend, would it not, upon whether the notes were payable at each branch, or whether they were only payable at the head office?—Certainly; but as a matter of fact, I think that every country bank pays its own notes at whatever branch they may be issued.

5679. Four per cent. upon 5,000 *l.* would give 200 *l.* a year; so that a bank with the right of issue, even against gold, would have an advantage to the extent of 200 *l.* for each branch over a bank which had no such right of issue, would it not?—Yes.

5680. Let us take the case, for instance, of the City of Glasgow Bank; the City of Glasgow Bank has an authorised circulation of 72,900 *l.*, and 122 branches. Assuming that it would be necessary for the City of Glasgow bank to hold 6,000 *l.* of till-money in each of those branches, 6,000 multiplied by the number of branches, would give something over 700,000 *l.*, which it would have to hold as till-money at its different branches?—Yes.

5681. And that at 4 per cent. would be equivalent, in round numbers, to 30,000 *l.* a year, would it not?—Yes.

5682. Whereas the actual authorised circulation being only 73,000 *l.*, that at 4 per cent. would only give something under 3,000 *l.* a year?—I think that we may take the actual issue to be the measure of the value of the right to the City of Glasgow Bank, and the actual issue is 673,000 *l.*, whereas the authorised issue is only 73,000 *l.*

5683. The actual issue is the amount of circulation which was outside of the bank; but I think I understood you to say, that of course it would be necessary for them, assuming that they held 6,000 *l.* of till-money in each branch, also to hold 720,000 *l.* in their till?—I think that beyond the right of issue, it would also have the advantage mentioned by you.

5684. And therefore, although it might seem at first sight that their authorised issue being 72,900 *l.* the utmost value to them would be about 3,000 *l.* a year, in reality, in your opinion, the value to them is far larger than that?—I think that it is far larger than that shown by the mere estimate of the rate of interest upon the actual issue.

5685. And, therefore, as the value of circulation depends upon so many circumstances, it is extremely difficult, is it not, to state what the actual value to a bank of the right of circulation is?—I think that it is extremely difficult to appraise the value of the circulation to the bank. It appears to me to differ according to the circumstances of every bank.

5686. Have you any information respecting the circulation of Scotch bank notes in Northumberland?—I have a statement which I have received upon the subject; it states the weekly circulation of the Scotch notes in Northumberland for the last two years, and it appears that that circulation is about 4,000 *l.* weekly at the banks in Newcastle. One of those banks has branches at Newcastle, Sunderland, Shields, Hexham, Morpeth, and Alnwick, that is the bank of Messrs. Lampion & Co. They receive weekly 600 *l.* in notes of the Scotch banks. Messrs. Woods & Co., who, besides having offices at Newcastle, North Shields, South Shields, Sunderland, Seaham Harbour, and Blyth, have also a branch at Berwick-on-Tweed, where they come in immediate proximity to the Scotch banks, receive weekly, on an average, 3,200 *l.* in notes of the Scotch banks.

5687. When you speak of circulation, do you mean the amount paid into those banks?—That is the amount of Scotch notes which those banks receive on an average weekly.

Mr. *Orr Ewing.*

5688. But they are not circulated, are they?—I conclude that they were circulated, or they would not have reached them.

5689. They did not circulate them?—No.

Sir *Graham Montgomery.*

5690. Do you suppose that either of those banks keep the bank accounts of the railway companies meeting at Berwick?—I think this is a statement of the notes received in the ordinary course of business from their customers.

Sir *John Lubbock.*

5691. That would seem to show that the circulation of Scotch notes is much larger where there is a branch of a Scotch bank?—Yes.

5692. Assuming the circulation of Scotland to be equivalent to an issue of 9,000,000 *l.*, if the English banks enjoyed equivalent privileges, they would have a circulation of 58,500,000 *l.* in proportion to the population, would they not?—I think they would.

5693. And that would, in round numbers, be 30,000,000 *l.* sterling more than it is at present, would it not?—Yes.

5694. Whatever the ultimate effect upon the trade and prosperity of the country might be, of course that would give a very large immediate profit to the banks?—Beyond all question it would.

5695. You have been asked some questions with reference to the possibility of issuing this large additional amount of notes in England; but as there are many countries without any gold circulation, I presume there can be no doubt that although it might take some time, it would be perfectly possible to replace in England, out of an estimated gold circulation of 60,000,000 *l.*, 30,000,000 *l.* by 1 *l.* notes?—I think there can be no doubt that an issue of 1 *l.* would to a very great extent supplant the use of sovereigns.

5696. The country banks throughout England make use of the country clearing, do they not?—They do, and they find it extremely advantageous and useful to them.

5697. Your own firm uses the country clearing, I believe?—We did so from the first moment that it was instituted.

5698. There have been some differences between the witnesses who have been examined before this Committee as to the working of the country

Mr. *Palgrave.*

24 June 1875.

Sir *John Lubbock*—continued.

country clearing. Will you have the goodness to state to the Committee, from your own experience, whether any, and if so what loss of time results from using the country clearing as against a case in which a cheque is sent direct by post?—I think I had better hand in to the Right honourable Chairman the memorandum which was drawn up by yourself when the country clearing was established, and which has been acted upon without change ever since. That will explain the *modus operandi* quite clearly, and the Committee will see that in many cases there is no loss of time, and that in no instance does the loss of time exceed one day. I will put in the rules for the conduct of the clearing of country cheques in London. (*The same was delivered in,* see *Appendix.*)

5699. I understand you to say that the maximum loss of time is one day?—It is one day only.

5700. Of course, as regards banks in London, there need be no loss of time whatever?—None.

5701. I think the legality of the country clearing was conclusively established by the case of Hare *v.* Henty?—Yes, I remember that case, and I remember watching it with great interest. If it had gone against the country clearing we should have lost what we conceive to be a very great advantage to ourselves.

5702. I believe no commission is ever charged upon any cheque which passes through the country clearing?—None whatever.

5703. If two banks are competing in the same area, and one of them has, in respect of charges, an advantage of 1*s.* or 2*s.* per cent. over the other bank, any such competition would be carried on upon very unequal terms, would it not?—Certainly.

5704. And the one bank would practically have a very great advantage over the other?—Yes, certainly.

Mr. *Beckett Denison.*

5705. What is the date of the last instance of a forged note that you had?—We have had no forgery on us (I must be allowed to speak in general figures), I believe, for the last 50 years. In fact, we have had no instance since the 1 *l.* note circulation was done away with.

5706. But from the book which you have handed in to the Committee it would appear that in those days you had almost as many examples of forgeries of notes of other denominations than 1 *l.* notes as you had of 1 *l.* notes, and that the forgeries were not at all confined to the 1 *l.* notes?—I think the forgeries were most amongst the 1 *l.* notes. Those are merely some select instances.

5707. Are you aware whether the instances of forgery in modern days are very few and far between?—I think they are very few at the present time, with the present limitation of the country note circulation.

5708. You think that there is less temptation to forgery than there was before?—There is far less temptation to forgery with a 5 *l.* note circulation than there would be with the 1 *l.* note circulation.

5709. But are there not other mechanical reasons that enter into the question?—Our notes have been very much improved within the last

Mr. *Beckett Denison*—continued.

35 or 40 years, but some of those notes which are forged are, nevertheless, very well executed.

5710. You appear to attach but small importance to the immunity which the Scotch banks enjoy as regards paying gold for their notes at their branches. You said, in answer just now to the honourable Baronet, the Member for Maidstone, that practically, branch banks do always pay their notes at their branches in gold when required?—My answer applied to English note circulation, of which only I have practical experience. I cannot speak as to the Scotch banks.

5711. It stands to reason, does it not, that it must be a very great advantage not to be under a legal obligation to pay notes at branches?—It must be. I was merely speaking of the practice amongst those country banks with which I am acquainted.

5712. You are, perhaps, aware that even the Bank of England themselves do not pay their notes promiscuously at all their branches?—Yes, I have had letters which confirm that statement.

5713. And therefore it must be held, must it not, that it is an advantage to limit the payment of notes to certain centres?—Certainly, inasmuch as it limits the necessity of holding gold at a number of points; and the greater the number of points at which you are bound to meet your circulation, of course the greater expense you must be at in holding gold at those points.

5714. Are you familiar with the debates that took place in 1845 when the Irish and Scotch Bank Acts were passing through Parliament?—I have examined some of Sir Robert Peel's speeches.

5715. In those speeches is not great stress laid upon the great advantage given to Scotland over the Irish banks in respect of their not being compelled to pay notes at all the branches?—I observe that Sir Robert Peel, in a speech made in this House on the 25th of April 1845, used these words: "I propose to leave to the banks of Scotland and Ireland respectively the privilege which they now possess to issue notes below 5 *l.* without limiting them as to the proportion which such notes shall bear to notes of a higher amount. The Banks of Scotland and Ireland will thus have two advantages, they will first have the advantage of being protected from competition, and they will also retain a privilege which the banks of this country have been compelled to relinquish for nearly 20 years, namely, that of issuing notes under 5 *l.*" That remark was made by Sir Robert Peel at the period which I have mentioned, and I think that the practical results have followed his words very closely. Sir Robert Peel went on to remark, in another speech made upon the 5th of June 1845, in answer apparently to a question from Mr. Stewart: "The honourable gentleman says that if there was the same system of banking in England that there is in Scotland everything would be prosperous. I say, sir, that if there were the same system of banking in England as there is in Scotland everything would be ruined." I request the Committee to remark that these are not my opinions, but the opinions of Sir Robert Peel given in a speech in 1845.

5716. How many years' experience have you had of the country clearing house?—We joined it as soon as it was opened, about 15 years ago.

5717. What

Mr. *Beckett Denison*—continued.

5717. What are the conditions for admitting a bank into the country clearing house?—I imagine that every country bank that has a London agent has the privilege of the country clearing.

5718. Are you aware that as regards the London clearing house, the West End banks are not admitted to it?—I believe that they clear through City bankers.

5719. But they are not admitted to the London clearing house direct, are they?—I am not aware whether the exclusion is voluntary on their part or otherwise; I have no knowledge upon the subject, but I believe that they practically have the use of it.

5720. Do you know the reasons which have operated to prevent the West End banks being admitted to the London Clearing House?—I have no information upon that point.

Sir *John Lubbock.*

5721. Is it not the fact that from their distance from the clearing house they have no wish to join it, and that it would be no practical convenience to them?—I believe that we practically receive every cheque that is paid in at a bank in the West-end of London through the clearing house.

Mr. *Anderson.*

5722. I think you stated that you would object to the taking away of the provincial issues on account of its centralising tendency, and on the ground that it would increase the pressure for gold at certain times, and I believe you said that the pressure for gold would be increased and augmented?—I think I said that the pressure upon the reserve of the Bank of England would be increased.

5723. What difference do you attach to the expression, "increased and augmented"; do you attach any different idea to the two words, because you used them several times in connection?—If I may distinguish, I think that the times of pressure would be increased in number, and that the pressure would be augmented as regards the amount which would be withdrawn from the reserve.

5724. At present, by your Table IX., you show that the English provincial banks are about 1,500,000 *l.* below their authorised circulation, and you say that it would be a great advantage to the English banks to be allowed to use up their full authorised circulation; would it not be a great advantage to the public that they should be able to do so?—I think that the advantage of an issue is partly to the public and partly to the issuing bank, and therefore I consider that the public would be benefited if the actual English circulation approached more closely to the authorised circulation.

5725. Then it would be a benefit to the public, would it not, to make some arrangement or rearrangement of the circulation which would enable the bank to bring the one up to the other?—I think it would.

5726. Have you any suggestion to make to the Committee as to how that might be accomplished?—That opens so very large a question upon the whole of the Act of 1844-45, that I think it would be very difficult to give an answer to it.

5727. I think you said that, allowing them to

Mr. *Anderson*—continued.

issue against gold, would increase the circulation to a certain amount as regards those at least who are near it at present?—It would allow them to increase it; I think also that the power of amalgamation which the Scotch banks have enjoyed, and which has been refused to the English banks, would be of service to them in this respect.

5728. That is another point upon which you would wish to be levelled up to the Scotch system?—We should all value privileges like the Scotch privileges, if we could get them.

5729. Would not allowing you to issue small notes do it far more effectually than any other process that you can suggest?—I have endeavoured to convey my strong objection to a 1 *l.* note issue.

5730. But you admit that it would have that effect?—I admit that it would have that effect.

5731. Then your objection to the issuing of 1 *l.* notes is a theoretical objection, is it not, or is it founded upon any experience that you have had of 1 *l.* notes?—There has been no issue of 1 *l.* notes in England for about 40 years, and therefore I myself have no experience of a 1 *l.* note circulation; but I consider that the practical disadvantages of it were in the first place the vast number of forgeries that took place, and in the next place the vast number of forgeries that would take place if such a circulation existed at the present time.

5732. Were there not a great many forgeries of other notes besides 1 *l.* notes in those old times?—I think that the forgeries were principally among the 1 *l.* notes.

5733. Have you not in that book which you have placed before the Committee, specimens of forgeries of notes of 5 *l.*, of five guineas and 10 guineas?—All the notes in that book are not forged, although they are not marked; but the forgeries, I may add, were principally among the 1 *l.* notes.

5734. Is it not the fact that the engraving in those times was very inferior?—I think that the art of engraving has kept pace with the improvements in other arts in this country.

5735. Is it not the fact that the forgeries of 5 *l.* notes have diminished enormously in the last 40 years?—I am not in a position to answer that question.

5736. Are there not extremely few now?—We have had no experience of it, and we issue 5 *l.* notes constantly.

5737. Is it not fair to suppose that the same improvements in engraving would have diminished the number of forgeries of 1 *l.* notes also?—I think the honourable Member must recollect that 1 *l.* notes would circulate amongst a very different class of people from those among whom the 5 *l.* notes circulate. There are in England 167 issuing banks, and there are also branches of the bank of England; there would therefore be about 200 separate forms of 1 *l.* notes, on the supposition of the honourable Gentleman, circulating at one time in England, and I think it would be extremely difficult for any ignorant person to ascertain whether any one of those notes, which he probably might never have seen in his life before, was forged or not.

5738. As far as forgeries are concerned, would that objection be diminished, in your opinion, if it was a State issue of 1 *l.* notes in place of a local bank issue?—I think that the State would

Mr. *Palgrave.*

24 June 1875.

Mr. *Anderson*—continued.

have no advantage, as compared with an ordinary bank, in the issue of its notes.

5739. But in that case there would not be 200 or 300 descriptions of notes in circulation?—Obviously, from that point of view, there would be an advantage, but I think that there are many objections to a State issue of notes.

5740. Would the 1 *l.* notes circulate among a different class in England from what they circulate among in Scotland and Ireland?—They would, beyond doubt, circulate in a lower class in England than the 5 *l.* notes do. I have no experience of Scotland and Ireland, and therefore I cannot answer you upon that point.

5741. Are there lower classes in England than there are in Ireland and Scotland?—Is the drift of your question whether England is less educated than Scotland?

5742. I understand you to say that the risk of forgery is greater in England than it is in Scotland and Ireland, because the notes would circulate in a lower class of society; is there a lower class of society in England than there is in Scotland or in Ireland?—I do not know that there is.

Mr. *Bechett Denison.*

5743. I imagine that the density of population has a good deal to do with the facility of forgery?—I imagine that it has.

Mr. *Anderson.*

5744. What do you mean by "density"?—I am afraid I cannot explain density to the honourable gentleman.

5745. Why is it that the 1 *l.* notes would be more liable to be forged in England than they are in Scotland or in Ireland?—I think that the number of kinds of 1 *l.* notes, as I stated, which is contemplated, would be a great difficulty.

5746. But supposing that the number was got quit of by having one uniform State issue, would not that meet your objection?—If there was one uniform State issue, beyond doubt there would be more difficulty in forging it.

5747. Supposing that there were in England 11 issues, as there are in Scotland, do you think that the risk of forgery would be as small as it is in Scotland. I suppose you are aware that there is no such thing as the forgery of 1 *l.* notes known in Scotland or in Ireland now?—I consider that the fact that there are only 11 banks in Scotland must tend very greatly to diminish the number of forgeries. Every cashier of every bank is presumably well acquainted with the notes of every other bank.

5748. Therefore the difficulty about forgery, in your opinion, can be got quit of?—Beyond question it can be diminished.

5749. Then the only other objection is the risk of panic, is it not?—I do not think that the remarks of the honourable gentleman have entirely removed my doubts with regard to the risk of forgery.

5750. You think that there would still be a risk of forgery?—Yes, I think that there would be a great risk of forgery.

5751. While there is none in Scotland or in Ireland, you think there would be greater risk in England?—I must imagine a 1 *l.* note issued in England by all the banks, and if there were 200 forms of plate for the 1 *l.* note, forgery would be evidently much easier.

Mr. *Anderson*—continued.

5752. I do not think that it is necessary to contemplate 200 issue, but even on that footing, do you think there would be great risk of forgery?—Even on that footing, I think it would be easier to forge when there were 200 examples, than when there were 11 examples.

5753. I think you gave as another reason the quantity of gold that would be displaced?—I think there would be a very great disadvantage in that.

5754. In what way?—I think it is a great advantage to a country to have a considerable amount of gold circulating in it.

5755. When does that advantage come into play?—I think that at any period of a foreign drain, a gold circulation is a great advantage.

5756. But that circulation is required for the country itself; therefore how can it help a foreign drain?—It might be economised if the foreign drain were very heavy and very long.

5757. To any material extent?—I should think so.

5758. Without issuing any substitute to take its place?—It might be possible to economise the use of gold by the use of cheques, in such an event.

5759. In that case cheques would take the place of notes?—For the time.

5760. There would be an extra notes issue then to take the place of gold when gold was taken away by a foreign drain?—I think that the circulation of cheques stands in a totally different position from the circulation of notes.

5761. I think so too, but that is the substitute which you would propose?—I did not propose it.

5762. Is it not the fact that this large amount of gold circulating in the country would never come into use to help us in a foreign drain unless we put an end to specie payments?—I hardly think that I can answer that question in any practical way.

5763. Is it not the fact that the gold is required for use in the country itself, and that therefore it cannot be taken out of the country to help a foreign drain, unless you put something in to take its place, or in other words suspend specie payments, and issue unbounded paper?—I do not think that we should be compelled to suspend specie payments under those circumstances.

5764. But is it not only in the event of suspending specie payments and issuing paper, that this gold would be liberated, so that the country could get the benefit of it?—I think that a portion of it sufficient to arrest a foreign drain might be liberated without suspending specie payments.

5765. The honourable Member for Maidstone asked you if a charge of from 1 *s.* to 2 *s.* per cent. on the business of a bank would not be an enormous advantage in competition; and you said that it would be an immense advantage; was your answer given on the understanding that that 1 *s.* or 2 *s.* per cent. was over the whole business of the bank?—I think that it is obvious that if one bank is subject to a charge for a portion of its business, or for the whole of its business, and another bank is not subject to such a charge, the bank which is not subject to such a charge is at an advantage as compared with the bank which is subject to such a charge.

5766. Would that apply even if only a small portion

Mr. *Anderson*—continued.

portion of its business was affected by the charge?—It would depend upon the proportion upon which it applied.

5767. Do you charge commissions on current accounts in your bank?—My bank, which is a private bank, is not in the practice of disclosing its charges. For the first time in our existence, during a period of 100 years, we have made a statement to anyone outside our business (I mean to the Right honourable Gentleman in the Chair) of the state of our deposits; and in that answer I must include every statement respecting my own bank.

5768. You do not wish to say anything about charges?—No; but I will answer questions generally.

5769. You object to securities being asked from the banks for their notes, do you not?—I did not object; I only pointed out the practical difficulties that would arise.

5770. You said that it would require them to deposit securities for a very much larger amount than the profit which they would derive from it, did you not?—I said that it would compel those banks whose actual issue was below their authorised issue to deposit a far larger amount of securities in proportion to their issue than the other banks whose actual issue approached more closely to their authorised issue.

5771. But that is only supposing that security were asked for their whole authorised issue?—I cannot imagine that security could be asked for on any other basis.

5772. Might it not be asked for their actual issue according to returns over a given period?—That might be the case.

5773. Would not that get quit of one part of your objection?—Beyond question it would diminish the difficulty.

5774. Supposing that they were obliged to give returns of their actual circulation once a month, and that once a month that circulation must be kept within the amount of the securities which they have deposited, would you see any objection to that?—English banks of issue at the present time are in the habit of making such returns as you have mentioned.

5775. Would you see any objection to their depositing securities for the notes to that extent. You said that depositing securities to the extent of their actual issue involved forfeiting their right of issue up to their authorised issue. I do not see that that is necessary?—I think that I must have failed to explain myself to the honourable gentleman.

5776. You do not mean that it involved the confiscation of the difference between the actual and the authorised issue?—I meant that it would deprive those banks which are limited at the present time to their actual issue, of the right which they at present possess of issuing up to their authorised issue. Of course my remarks

Mr. *Beckett Denison.*

apply to those banks which are within their authorised issue.

5777. But does asking them to deposit securities to the extent of their actual issue necessarily take away any part of their right to issue up to the authorised issue?—I do not know that it would, but it might have that tendency.

5778. If it did not have that tendency, would your objection still apply?—I think that the objections of the banks would be less under those circumstances.

5779. Will you state what amount of gold a bank of issue keeps at present against its circulation, in a general way?—I think that it varies entirely in different districts, according to the demand that may be made upon the bank.

5780. What would you consider a fair thing for a bank to keep against its issue?—The proportion varies so much in different districts that it is impossible for me to give answer to that question.

5781. Could an average be arrived at?—Of course, if a return were obtained from all the banks.

5782. Do you suppose that 25 per cent. would be about the thing?—Some banks to my knowledge hold considerably more than their authorised issue.

5783. Surely that would depend also upon the amount of deposits held at call?—No; the question, as I understand it, applies merely to circulation. I think that it would be absolutely impossible to ascertain this point.

Mr. *Anderson.*

5784. Do you think that it would be possible to ascertain any general average which a bank of issue would need to keep in addition to what a non-issuing bank would have to keep?—I think that it would be impossible to discriminate between their liabilities upon deposit and their liabilities upon issue.

5785. Supposing that a non-issuing bank had 2,000,000 *l.* of deposits, and that a bank of issue had 2,000,000 *l.* of deposits also, would not the bank of issue have to keep more gold in respect of its issue?—I think it would.

5786. How much, in a general way, do you think it ought to keep?—I can give no statement that could be of any possible use to the honourable Member upon that point.

5787. Supposing that an average can be arrived at by consultation with other bankers, would you have any objection to deposit securities for the remainder; supposing, for instance, that you required to keep gold to the extent of 25 per cent. of your issue, would you have any objection to deposit securities for the other 75 per cent.?—I think my answer must be that I can give no information upon that point which can be of any service.

Monday, 28*th June* 1875.

MEMBERS PRESENT:

Mr. Anderson.
Mr. Backhouse.
Mr. Campbell-Bannerman.
Mr. Stephen Cave.
Mr. Chancellor of the Exchequer.
Mr. Beckett Denison.
Mr. Orr Ewing.
Mr. Goschen.
Mr. Leveson Gower.
Mr. Kavanagh.
Mr. Sampson Lloyd.
Sir John Lubbock.
Mr. Graham Montgomery.
Mr. Mulholland.
Mr. Mundella.
Mr. William Shaw.
Mr. Torr.
Mr. Hussey Vivian.

MR. CHANCELLOR OF THE EXCHEQUER IN THE CHAIR.

Mr. ROBERT HARRY INGLIS PALGRAVE, recalled; and further Examined.

Mr. *Palgrave*. 28 June 1875.

Mr. *Orr Ewing*.

5788. YOU represent a bank of issue, do you not?—Yes; and, I may add, equally a bank of deposit. We do every class of business.

5789. I suppose that all banks of issue are banks of deposit?—So far as I know there is no exception whatever.

5790. How many partners are there in your bank?—I can hardly tell you off-hand. Our firm is divided into four head offices, with distinct partnerships in each.

5791. Am I to understand that in your firm there are four distinct branches, with different partners in each branch?—There are some partners who go through the whole, and others who do not go through the whole.

5792. I thought that private banks could not have more than six partners?—That is perfectly true, but you may have different partners in each head office.

5793. Then am I to understand that you have four distinct companies?—Four distinct partnerships—at Norwich, Lynn, Wisbech, and Yarmouth.

5794. Do they all issue?—Each bank issues. Our total issue, as I have already stated, is 261,109 *l.*

5795. Should you not more properly be considered a joint stock bank than a private bank?—We are a private bank, but this has always been the case in our firm ever since its commencement.

5796. When you returned to the Government your issue, did you return it as 261,000 *l.*?—No, we returned it at Norwich as 105,519 *l.*, and for separate sums at the three other offices.

5797. Then are there four different concerns?—There are four different banks, legally.

5798. Does each of those concerns balance its books separately; and do you combine them in any instance into one?—Every bank makes up its accounts separately, and the head office combines them. It is from the head office that we have had the honour to answer the Chancellor of the Exchequer.

5799. And you think that you are quite within the law when you represent your four different

Mr. *Orr Ewing*—continued.

firms, although you are combined as one?—We are only so far combined as one, that there are some partners whose names run through the whole concern.

5800. Can you not give the Committee information as to how many partners you have in each of your concerns?—I am not at present prepared to do so.

5801. Is it so intricate that you could not do it?—No.

5802. Should I be wrong in saying that you have six partners in each?—My impression is that there are six partners in each.

5803. You have given to the Committee voluminous and interesting statistics, but there is one piece of information which you have not given, and that is as to the extent of your deposits, and of the charges which you make to the public for conducting their business?—The information as to our deposits we have, as I stated, given in to the right honourable gentleman in the Chair, who will doubtless communicate the amount to you in the total of the information with which he will supply you. I am exceedingly sorry that it is not in my power to supply you with the information which you desire. It is not the custom of private banks to publish their balance-sheets; if it were, we should have much pleasure in doing so.

5804. Then you decline giving any information to this Committee or to the public as to the rates which you charge for conducting business?—I should have much pleasure in answering you in a general statement, which I hope will meet all your wishes.

5805. You decline to give that information, as regards your individual bank, because you are a private bank?—It is so little the custom of the private banks to give this information that I hesitated to do so when I was asked on Thursday; but if I state that we allow interest on the daily balances of current accounts, at the rate of 1 per cent., and charge our customers on the daily balance brought out in a similar manner at 5 per cent., and that I am convinced that our charges for commission, on the aggregate, do not amount

to

Mr. *Orr Ewing*—continued.

o one-eighth per cent., and also interest on deposit accounts at rates varying with the value of money, and further that, having very carefully gone through the statement of Scotch charges, which was put in by Mr. Davidson, I am satisfied, from my knowledge of the working of our business, that our charges and allowances to our customers are more favourable than those of the Scotch banks, I hope I have answered your question.

5806. Under those circumstances, would you not think it wise that private banks, with the privilege of issue, should, in the interests of the banks themselves, not only give information to this Committee, but should make their transactions public, so as to inspire confidence in them?—I have no hesitation whatever in saying that if the firm I represent were to publish their accounts in the manner of the joint stock banks, it would tend to increase our business; I cannot say to increase the confidence of the public, because I take it that we have that now to the fullest extent; but as it is not the practice of private banks to do it; we have never published such a statement.

5807. I quite believe that you have the confidence of the public; but not speaking of your individual bank, but as a general principle, do you not think that it would be wise for private banks to publish the transactions of the bank, in order that the public may see how they manage their business, and ascertain whether all the private banks are trustworthy or not?—I think that there are nearly 200 private banking firms in England, and the honourable gentleman will excuse me from answering for all of them. Simply as a general principle, I cannot doubt that the more publicity a bank gives its affairs, the greater the business it will do.

5808. Do you consider that the secresy with which private banks conduct their business has been to a certain extent the cause why the circulations of private banks have dropped below their authorised limits?—Not in the slightest degree; I attribute the amount of the circulation of the private banks, as I do that of the circulation of the joint stock banks, to the peculiar circumstances of the districts in which they carry on their business. It has so happened that private banks are more generally found in the agricultural districts of England, where the population has either remained stationary, or at least, speaking generally, has not advanced for the last 30 years. I take it that the altered habits of those districts, the greater number of deposits now received, and the manner in which business is now carried on, has limited the circulation in them. I observe that joint stock banks carrying on business under similar circumstances as to district with private banks, generally stand at pretty much the same proportion of their actual to their authorised issue. If the honourable gentleman will look through the table which I have prepared, I think that, in a general way, he will find that it bears out my statement. Nevertheless, I may mention that a joint stock bank, as it happens, is the lowest but one in the list of proportions of absolute to authorised issue; but, as I mentioned before, no inference can be drawn from the circulation of a bank as to the extension of its deposits. I therefore take it that it is the circumstances of the district, and in no sense any other point, which affects the circulation of each bank.

Mr. *Orr Ewing*—continued.

5809. You think that it is not from any want of confidence on the part of the public because of the statement of the affairs of the bank not being published?—From no want of confidence whatever.

5810. From the figures which you have put in, it appears to me that you have nothing to fear by publication; you have shown, I think, that your capital and reserves stand at 18 per cent. of your total liabilities?—That return was a general return, including a good many banks; if it had been in my power to have laid a statement of the whole before the Committee, I would have done the same with an equal confidence that it would have shown similar, or nearly similar, facts, to exist over the whole of England.

5811. It was no selection of the banks?—None whatever: it was not a natural selection or an arbitrary selection.

5812. What do you make the total proportion of capital and reserves to liabilities of the Scotch banks?—I find that it is stated to be 15·77 per cent.

5813. In the London joint stock banks what proportion do capital and reserves bear to liabilities?—The proportion is not so large as it is in the case of the provincial banks. It appears to me to be rather less than 10 per cent.

5814. There has been, I think, some opinion stated by Members of the Committee that the Scotch banks do not conduct their business on such safe principles as the English banks; do you share in that opinion?—I do not share in that opinion. Perhaps the honourable Member will allow me to read a statement made in the speech of Sir Robert Peel on the 5th of June 1845. This is the continuation of a speech which I quoted last Thursday: "The reason why England is able to maintain its system of banking is that England has adopted another course. A great country having taken measures to secure a sufficient supply of gold may permit, in a distant part of the empire with a more limited amount of commerce, a different system of banking to prevail with security. But the security of the system which prevails in Scotland rests in the amount of gold in England, and it is this which enables Scotland to dispense with an amount of bullion in proportion to its circulation, which, and not the solvency of the banks, ought to be the foundation of the promissory notes. I am not surprised that Scotland should wish to be exempt from this; I am not surprised that Ireland should wish the same; and I do not say that it may not be possible, by taking the whole expense of maintaining a gold currency upon this part of the empire, that another system may not succeed in other parts of the empire. But I do say that it is just that the burden should be borne in equal proportions by all parts of the empire, for I believe that that alone constitutes the real foundation of a safe issue of paper. I do not ask from Scotland that it should bear more than its fair share. I know that generally the banks in that country have been conducted in a manner most creditable to all concerned with them. I think their system is preferable to that which prevails in this country; but I see no reason why, in the use of an extended issue of promissory notes, the banks, with their immense amount of paid-up capital, should not have a small amount of *bonâ fide* gold currency to provide for its future increase." I trust that the honourable Member will

Mr. *Palgrave.*

28 June 1875.

Mr. *Orr Ewing*—continued.

will not consider me presumptuous in stating that I entirely agree in that part of Sir Robert Peel's statement, that generally the banks in Scotland have been conducted in a manner most creditable to all concerned with them.

5815. That speech of Sir Robert Peel was introducing the Act of 1845, was it not?—Yes.

5816. And, therefore, it had reference, had it not, to the system of banking in Scotland prior to the passing of the Act of 1845, and not to the law as it is now in Scotland, where we are obliged to bear a part of the burden of maintaining the gold currency?—I quoted this passage in order to be able to quote that sentence which I repeated. The honourable gentleman put to me an inquiry respecting the conduct, as I understood him, of the banks in Scotland; and I thought that it would be more satisfactory to him if I replied in the words of a very great authority.

5817. But that speech was with reference to the system of banking which existed in Scotland prior to the year 1845, was it not?—I believe that no Scotch banker has stated that there has been any alteration in their system in the last 30 years.

5818. Had not that speech special reference to the law which permitted Scotch bankers to issue to an unlimited amount without having any gold to represent it?—I take it that the sentence respecting the conduct of the Scotch business applied to the business generally, and in no way to the issue of notes.

5819. It had no reference to the issuing of notes upon the basis of gold, had it?—Not that particular sentence, so far as I have ever understood it.

5820. Was not that speech specially for the purpose of advocating the change which was carried out by the Act of 1845?—There is no question that it was part of the discussion upon that measure.

5821. It was the reason for making that change, was it not?—I do not know that it was the reason; it gave Sir Robert Peel's feelings about Scotch banking.

5822. Was not the object of the Act of 1845, as introduced by Sir Robert Peel, to insist upon Scotland bearing a portion of the expense of maintaining the gold currency in the country?—I believe that Sir Robert Peel's object in introducing the Acts of 1844-45 (which we must view as one for this purpose), was to make the paper currency of this country fluctuate in the same manner as a gold currency; and that was the object of the particular limitation which he placed on the Scotch and Irish banks.

5823. By the Act of 1845, the privilege which the Scotch banks have of issuing notes without a gold basis amounts to 2,700,000*l.*, does it not?—I think that that is the amount of their authorised limit now; it was larger in 1844, as will be in the memory of the honourable gentleman.

5824. The amount which is allowed to be issued in England without a gold basis is 14,000,000 *l.*?—At present it is 15,000,000 *l.* for the Bank of England; it has been increased three times; I can give the dates if necessary.

5825. The amount that is permitted to be issued by other banks, joint stock and private, amounted to 8,000,000 *l.*, I think?—No; about 6,000,000 *l.* at the present time.

Mr. *Orr Ewing*—continued.

5826. It was 8,000,000 *l.* in 1844, was it not?—It was 8,648,853 *l.* in 1844, and now it is about 6,500,000 *l.*

5827. If you add the 6,500,000 *l.* to the 15,000,000 *l.*, that brings it up to 21,500,000 *l.*, that the Banks in England are allowed to issue without a gold basis?—Certainly.

5828. Does not that circulation of notes without a gold basis bear a larger proportion to the population than is the case in regard to Scotland?—I do not think that the population only ought to be taken into consideration in such a statement as that. The wealth of the country, and the districts over which that circulation may extend should all be included. The Bank of England note circulates all over the world.

5829. But I should like you to answer my question. Is the amount of issue in England without gold greater than it is in Scotland in proportion to the population of the two countries?—I have never worked that out.

5830. The population of England is about six and a-half times as great as that of Scotland; what proportion does 2,700,000 *l.* bear to 21,500,000 *l.*?—The proportion of notes issued without gold is undoubtedly rather larger in England and Wales (which I must include) than in Scotland.

5831. Therefore the remarks of Sir Robert Peel in 1845 could not be made now, because Scotland is absolutely bearing a larger proportion than England in the maintenance of the gold currency, is it not?—I do not exactly follow out that statement, but it appears to be your opinion.

5832. But I should like to get your opinion upon the figures?—The proportion of the Scotch circulation issued against gold on the 1st January 1874 (taking the particular date at random) was 2,951,000 *l.*, which is rather less than 1 *l.* a head. We ought to sub-divide, if we have to go into this, as to the average amount held in Scotland against gold.

5833. What is the amount of gold held in Scotland?—I think it is about 4,000,000 *l.*

5834. Is not that above the amount by which the circulation exceeds the authorised issue?—Yes, but the honourable Member must bear in mind that that gold has a double debt to pay; it becomes also a part of the assets of the bank. It has been given in evidence by Mr. Fleming, that he would be most reluctant to see a smaller amount of gold held in Scotland, and therefore I do not think that it is quite possible to separate the amount of gold held against the circulation from the amount of gold which the Scotch banks would in prudence feel it necessary to hold if the Act of 1845 had not been passed.

5835. But it more than satisfied the requirements of the Act, did it not?—Slightly, no doubt.

5836. And you will admit, will you not, that gold is not the only kind of security that a bank can have in conducting its business with safety?—Certainly not.

5837. You did not intend, I presume, to convey to the Committee that, because of there being about 2 per cent. of difference between the proportion of capital and reserves to total liabilities held by the banks in Scotland and those in England, Scotland conducts its business upon more unsafe principles than England?—I had no intention whatever, in making that statement to the

Mr. *Orr Ewing*—continued.

the Committee, to convey more than was implied in my words; my intention was to lay before the Committee a statement of the position of English provincial banks as far as I am able to do so at the present time.

5838. But while you were stating the condition of the London joint stock banks you carefully excluded the per-centage?—I trust the honourable gentleman will draw no such inference from my remarks; it was a mere casual fact.

5839. At all events it appears, according to the evidence, that the position of the London joint stock banks is about six and a-half per cent. less favourable in that respect than that of the Scotch banks, the proportion being in the one case under 10 per cent. and in the other 16 per cent.?—I accept your statement, which I have no doubt is correct.

5840. If you turn to Sir Robert Peel's speech, in introducing the Bank Charter Act of 1844, you will find the following startling statements:—"In the years 1814, 1815, and 1816, the failures in country banks amounted in number to 240. The number of commissions of bankruptcy was 89; the lamentable occurrences of 1825 and 1826 must be fresh in the recollection of many of us. With regard to the last few years a Return has recently been laid before the House which demonstrates the necessity for legislative interference; I hold in my hand a Return of the number of private banks which became bankrupt in the years 1839, 1840, 1841, 1842, and 1843, with the amount of dividends paid so far as the same can be ascertained." Are you aware that 52 banks out of the 89 which failed in the years Sir Robert Peel quoted paid no dividend?—May I observe that that statement goes back to the year 1814; if I had had any idea that I was to be asked as to an inquiry extending over 60 years, I would have prepared myself.

5841. I am asking you whether those facts were stated by Sir Robert Peel?—They were stated, but I may be allowed to reply that it is understood that those Returns for the later years applied, in many cases, to shareholders in joint stock banks; Sir Robert Peel, on receiving a Return from the Bankruptcy Office, necessarily received it in the regular and formal manner; if a man who was a shareholder in a joint stock bank returned himself as a banker, he was scheduled as a banker; there is no power of discriminating at the present time between those persons who were shareholders in joint stock banks, and private bankers; so that some of the former class are included in this list among the general number.

5842. Are you aware that Sir Robert Peel corrected himself in a subsequent part of that debate, and that he deducted six names?—I am aware of that statement, but I am aware also that very considerable doubt is thrown in the writings of that period upon the amended statement of Sir Robert Peel; I have a large collection of pamphlets upon this subject, and from them I deduce the fact that even Sir Robert Peel's amended statement was still incorrect; I would not for one moment let it be supposed that Sir Robert Peel put forth a statement which he knew to be incorrect, but he could only receive the Returns, as I have explained to the honourable Member, through the office to which he applied for the information.

5843. You are not aware that, in a subsequent

Mr. *Orr Ewing*—continued.

part of the debate, Sir Robert Peel admitted (and that his admission seemed to be satisfactory to the House), that he had made a mistake to the extent of six names?—This statement applies to April 1844, and I had understood that the scope of this inquiry was to be limited to dates since 1844.

5844. Could you convey to the Committee, before we rise, a correct list of those failures which have occurred in England?—It is entirely out of my power, and I think it would be very unsuitable for any private person to attempt to put out such a statement, to be published with the authority of this Committee.

5845. Are you aware that the statement contained in the speech which I have quoted, was afterwards embodied in a return on the subject to the House of Commons, although, at the time that Sir Robert Peel used it, it was information which he had collected for himself?—Still, I think the statement which I have made would apply equally to that return.

5846. Do you not think that if it had been in error, it would have been checked at the time?—There are several published statements impugning it, but they are private statements.

5847. But no notice was taken of it in the House at that time, at all events?—I really am not certain.

5848. According to this table, at all events, 52 of those banks which failed during the five years from 1839 to 1843 paid no dividend?—These returns of dividend are very imperfect. The estates remained in bankruptcy over very considerable periods, and it is extremely difficult to ascertain the amount which is received under those circumstances.

5849. Is there no means of getting such information in England?—I should think there is absolutely no means whatever of obtaining it.

5850. If a bank has been made bankrupt, is there no office in which the bankruptcy and the dividend paid are recorded?—I conclude that it might be ascertained with care and labour; but, so far as I am aware, there is no official list of banks in England. The banks in London are compelled to make a return. Banks of issue in the country are also compelled to make a return; but I conclude that a provincial bank which is not a bank of issue is not bound to make a return.

5851. Could you tell the Committee how they might obtain this information?—I conclude that through the Bankruptcy Office the information might be obtained; but I think also that it would be an extremely difficult matter.

5852. Are you not able to give any information further than Sir Robert Peel gave in his speech, which shows that 82 banks had failed in those five years, and that 29 of them were banks of issue, and that 52 of them had paid no dividend?—Up to the period to which that return extended. It is within my knowledge that several of those banks which were stated to have failed within the years 1814, 1815, and 1816, afterwards resumed business, and paid everybody 20 *s.* in the pound. These years were, as will be within the knowledge of the honourable Member, years of most extraordinary commercial convulsions in this country, and therefore to select those three years 60 years ago appears to me to be calculated to convey a very erroneous idea as to the state of English provincial banking at the present period.

 5853. Had

Mr. *Palgrave.*

28 June 1875.

Mr. *Palgrave.*

28 June 1875.

Mr. *Campbell-Bannerman.*

5853. Had those banks paid 20 *s.* in the pound previously to 1844?—I have been told by relations who carried on the same class of business before me, that several banks which failed at that period, afterwards resumed business. I can remember the names, but it would be most unsuitable for me to disclose them. The honourable Member for Dumbarton read a statement as to the number of banks that had failed between the years 1839 and 1843, and he coupled with it a statement for the years 1814, 1815, and 1816. Quoting from Sir Robert Peel's statement, I was speaking at that moment as to the failures in the earlier years. I do not remember any facts as to the later years.

Mr. *Orr Ewing.*

5854. Is it not a fact that with regard to any firm or bank that suspends payment you have no means of getting information until they have undergone a commission of bankruptcy?—I am quite unable to speak as to the state of the law or the practice of the Bankruptcy Court 60 or 70 years ago; but I conclude that if a bank resumed business after a stoppage, it is extremely likely that that fact would not have been recorded. The names would not have been struck off the list of banks. Possibly, they did not resume business for three or four months.

5855. But is it not the case that those 240 banks were not simply banks that had suspended payment, but that had undergone a fiat of bankruptcy?—My impression is that that was not so.

5856. And you think that the note which is given, and which I wish you to read to the Committee, is incorrect?—It is impossible for me to state that; but I would submit to the Committee that to carry the inquiry back for the last 70 years will greatly enlarge the scope of the investigation.

5857. Are you aware that we have had a witness before this Committee, namely Mr. Gordon, who has stated that in the early years of banking, Scotland suffered as much from the bankruptcy of banks as England did?—Supposing that to be the case, I would submit to the honourable Member that that merely indicates the superior law which the Scotch have had the wisdom to arrange for themselves.

5858. I suppose I need not ask you about the bankruptcies that took place between the years 1824 and 1833, in London?—I am not in the least prepared with any statement as to banking in London.

5859. Should you be surprised to hear that 13 banks had failed in London between the years 1824 and 1833, and that they paid dividends varying from 4 *d.* and 6 *d.* to 18 *s.* 8 *d.* in the pound?—I have no doubt that the statement of the honourable Member is correct.

5860. What I want to bring out is this fact: how many banks have failed in Scotland that have not paid their creditors in full?—I believe that no bank has failed to pay its creditors in full in Scotland for something like 100 years. But if the honourable gentleman is going to ask me which causes the greatest amount of suffering to a population, the failure of a joint stock bank or the failure of a private bank, the answer might be a very different one.

5861. Are you aware that, according to a Return that was made to the House of Commons as to the banks in Scotland, the only banks on record that have suspended payment, and have not paid their creditors in full, are two?—I accept the statement on the authority of the honourable gentleman, but I was not aware of it. The whole of my information on that subject was conveyed in my last answer.

Mr. *Orr Ewing*—continued.

5862. It has been mentioned by a witness before this Committee that the Falkirk bank was one of them; are you aware of the extent of that failure?—I have no knowledge whatever upon the subject.

5863. Would you be surprised if I told you that it was 51,009 *l.*?—I am not surprised to hear that the beginnings of banking in Scotland were on a very small scale.

5864. That bank failed in 1826, so that it was not the beginning. Are you aware that the dividend paid was 9 *s.*?—I accept the statement.

5865. You have apparently made yourself very familiar with the bankruptcies that have taken place in England and in Scotland?—Some bankruptcies in England have come under my knowledge.

5866. I need not go into all the details which you give us in your own book as to the comparisons of bankruptcies in England and Scotland. At page 25 you state, do you not, that there is a bankruptcy in England for every 1,500 of the population?—That is not bankruptcies merely, it includes other forms of liquidation.

5867. At all events, it is indicative of people not having paid 20 *s.* in the pound?—Yes.

5868. Whereas in England it is one to every 1,500 of the population, in Scotland it is one to every 6,000 of the population; is that correct?—Yes.

5869. You also show that the dividends paid by that unfortunate class of the community in Scotland are much larger than they are in England?—Yes, I understand that is so.

5870. What is the per-centage of people who fail in England and pay no divided at all?—I did not tender my book in evidence, and therefore I think that it is hardly fair to cross-examine me upon it. I think that it should be understood that the statement that is embodied in my book is a statement drawn up by Mr. George Auldjo Esson, the Accountant in Bankruptcy in Scotland. Mr. Esson's statement is that two-thirds of the bankrupts in England paid no dividend, as I understand it.

5871. Did he give you this return?—Mr. Esson supplied me with the whole statement upon this point.

5872. And he makes out, does he not, that 72 per cent. of the bankrupts in England pay no dividend?—That is the number he states.

5873. What is the number that fail in Scotland that pay no dividend?—I should wish it to be understood that this is Mr. Esson's statement. It appears to be about 16 per cent. of the whole in Scotland.

5874. The proportion of bankrupt estates in Scotland which pay no dividend is 16 per cent., and in England it is 72 per cent., is it not?—According to Mr. Esson's statement it is so.

5875. You are of opinion that it would be an improvement with regard to the banks of issue in England if they were allowed to amalgamate?—Every restriction on business of that nature appears to me undesirable.

5876. You said, I think, that it would allow the weaker banks to amalgamate with the stronger?

Mr. *Orr Ewing*—continued.

stronger?—I think I referred to banking in Scotland at that moment.

5877. Did you not say that the weaker banks in England would amalgamate with the stronger ones?—I might have stated that the smaller ones might.

5878. You used the word weak, I think?—I meant to say small if I did say weak, and I shall correct my evidence accordingly.

5879. You are allowed to amalgamate just now, are you not, if you do not exceed six partners?—Private banks may amalgamate without the loss of their issue.

5880. They could not do as you have done, I suppose, and divide into four partnerships?—Of course it might be possible.

5881. No doubt it would be an improvement if private banks were allowed to amalgamate; would you have any objection to be allowed to amalgamate so as to become a joint stock bank? As I have stated, every restriction of this nature appears to me to be exposed to the probability of being injurious; but it is a very wide question, and I can scarcely answer it off-hand.

5882. Do you think that it is safer for the conducting of the banking business of a nation to have a great many small banks, with a privilege of issue, or to have a few large banks with a great many branches?—Each system has its own advantages and its own disadvantages, and you may carry both of them to undesirable extremes.

5883. What do you think is the happy medium?—I should think that a bank carrying on considerable but not enormous business, with sufficient capital and ample managing power, was in that position.

5884. Do you not think that it is of great advantage that banks should be of some size, so as to be able to open branches in important districts in the country?—There are great advantages in carrying on business in a mixed district.

5885. In view of those facts which you have put before us as to bankruptcies amongst the commercial communities of England and Scotland, what would you deduce as to the mode of conducting banking business in Scotland and England?—There is no question that it is a great advantage to the Scotch banks to have to deal with a community which, on the statement of Mr. Esson, appears to have fewer bankrupts amongst it than there are in some other places. The honourable Member will bear in mind that the law of bankruptcy is different in the two coutries.

5886. You attribute to the law of bankruptcy the more healthy condition of the commercial community in Scotland than in England?—I conclude that the natural thriftiness of the population and the law of bankruptcy combined have been a benefit to Scotland in that respect.

5887. Do you not think that that being so, and the banks in Scotland being only eleven in number, with a close connexion between them, with an arrangement by which the amount of interest on deposits and the amount of charges for discount are regulated, that system is calculated to produce greater safety in the conduct of their business than having the great number of banks that exist in England?—I understand that the charges made by the Scotch banks, and given in evidence, were minimum charges, and that deviations from those rules were permitted in different parts of the country. I do not think that it is possible to lay down an iron rule as to the whole

Mr. *Orr Ewing*—continued.

of a country. In a poorer district, for instance, you could not make the same charge that you could in a wealthier district.

5888. Did not the evidence given by the Scotch banks amount to this: that all bills of the same character were discounted at the same rate, however small the individual who was discounting the bill?—I quite understood the statement to be that there was a minimum rate, and that deviations were allowed at the discretion of the managers in different districts.

5889. Did not the Scotch bankers say that they discounted no paper which they did not consider to be perfectly good, and therefore that they placed all bills upon the same footing as the discounts?—I believe that Mr. Redman made that statement as applying to his own bank.

5890. Did he not speak for all the banks?—I did not understand him to be doing so.

5891. Would you be surprised to hear that that was the invariable rule?—I think that it ought to be the rule amongst all banks.

5892. Are you aware that it is not so according to the evidence which we have from England?—I think that, if I may say so, that part of the evidence must have been misunderstood. I cannot imagine that any English banker would knowingly take any bill about which there was any doubt, if he relied upon that bill.

5893. Did you not hear evidence in this room to the effect that they have no special rate, but that they judged of every bill that came before them individually?—I do not know that that necessarily must apply to the probability of a bill being paid or not paid; it might depend upon the time which the bill had to run.

5894. But you are aware that all bankers vary the rates for three, four, and six months; you could hardly expect that any banker would discount a six months' bill at the same rate as a bill of a shorter date?—No.

5895. Is the length of the period that the bill runs the only difference which you make in your discount?—Practically we take none but those bills which we believe to be first rate-bills.

5896. Have you not what you consider good customers and bad customers, and do you not charge good customers less and bad customers more?—We make no difference in charges amongst our customers.

5897. Your charge is uniform?—Our charge is uniform according to the class of the business.

5898. According to the class of the business and according to the character of the customer?—No, I should be extremely sorry if you drew that inference. We charge according to the amount of trouble given or not given.

5899. What trouble have you in discounting one bill more than another, it is only handing money across the counter?—Discounting bills forms only a small part of a provincial banker's business; he may have to do a great many other things for his customers.

5900. I was speaking merely of discounting bills?—In banking you cannot discriminate, but practically (and by that I mean really) we have one charge for discounting to all our customers.

5901. Are you of opinion that no banker having a right to issue, whether in Ireland, Scotland, the Colonies, or India, ought to have a right to come to London or any part of England to conduct business?—That is a very wide question. I do not think that it is desirable to exclude Colonial

Mr. *Palgrave.*

28 June 1875.

Mr. *Orr Ewing*—continued.

banks, whose business is of a very different nature from that of the other classes of banks.

5902. Do you think that banks from Ireland and Scotland should be excluded?—I think that banks having peculiar privileges can hardly expect to be allowed to compete with banks which have not got those peculiar privileges, so far as those privileges extend.

5903. But they have no privileges which you have not as a private banker, have they?—Scotch banks have the privilege of issuing 1 *l.* notes, and, as I have already stated, I believe that the issue would be scarcely up to its authorised limit, and would certainly stand at a far lower figure if the Scotch banks had not that privilege.

5904. Do you think that, because they have the privilege of issuing 1 *l.* notes, they ought not to be permitted to come to London *l.*?—I think that that privilege gives them an advantage over English banks.

5905. Is it in the interest of English banks that you speak?—I am speaking my own opinion.

5906. Is it as a banker that you are speaking, when you say that it would give an undue advantage to Scotland?—One can hardly separate oneself from one's occupation. I may say that individually the question does not affect us in the slightest degree.

5907. But as one of the great English public, if you could for a moment separate yourself from the bank, do you think that it would not be to the advantage of the English public to have an additional capital imported for the conducting of their great concerns?—As I understand, it has been stated that the opening of the Scotch banks in England will not bring any additional Scotch capital to England than has already come there; therefore I do not see that more capital would be brought for the benefit of English business, as is stated by the honourable gentleman.

5908. Why is it that you, as a banker, should be so much afraid of the Scotch banks coming to England if they are not to import more capital for the conducting of business?—I have never stated that I personally viewed their coming in that way.

5909. I am speaking of you as a banker?—There is no question that the English banks object, and to my mind fairly, that other banks with greater privileges than their own should open offices in London or in England.

5910. You will admit that it must be a great advantage to merchants in Scotland who have houses in India and China, and other parts of the world, and who have arranged to draw upon their bankers in Scotland, that those banks should have branches at the nearest point at which a bill can arrive in this country, so that it can be immediately accepted?—There is no question that the Scotch banks think it would be a great advantage to them to have offices in London, as I believe has been shown by the vast increase in their acceptances since they have opened in London.

5911. Is it not absolutely necessary now, from the nature and extent of business, and from the number of foreign bills coming home for acceptance, that Scotch banks should have an establishment in London for the acceptance of their bills?—The desirability or otherwise of that must be left to the judgment of the Scotch bankers. I understood from Mr. Fleming's evidence that it was with the utmost reluctance that he consented to open an office in London.

5912. He was driven by the force of circumstances, I presume, to think of coming here?—There is no question that he would not have done it had he not felt compelled to open in London, after recording his extreme reluctance to do so.

5913. How many days will it save to individuals transacting business with a Scotch banker in getting bills at once accepted in London, as compared with being obliged to send them down to the provinces before they can be accepted?—I believe that it is one day's post from London to Edinburgh; the remainder of the question I submit must be asked of a Scotch banker, and not of myself; I am unable to answer it.

5914. Supposing that the Indian mail came in upon a Saturday, what difference would it make?—I am entirely unprepared to give any information upon this point.

5915. You handed in a Paper as to the amount of gold in circulation in England, which you stated, I think, to be 100,000,000 *l.*?—Yes; I stated it to be 100,000,000 *l.*

5916. You stated, I think, in your evidence that the amount of coinage in Australia and in England amounted to 251,762,000 *l.*?—I handed in a statement, from which I conclude that you are reading.

5917. And then, under 11 different heads, you make deductions amounting to 151,762,000 *l.*, leaving 100,000,000 *l.* in circulation?—Yes; that is the estimate of the amount of gold coinage circulating in Great Britain and Ireland at this period.

5918. And that is over a period of 58 years, is it not?—The statement extends over that period.

5919. One hundred and fifty-one million pounds for 58 years amounts to about 1¼ per cent. of yearly absorption, does it not?—Yes.

5920. If you turn to Sir Robert Peel's statement in 1845, he there gives the total coinage from 1816 to 1842 as 77,119,000 *l.*?—That includes silver, and my statement only extended to gold; 60,106,000 sovereigns, and 17,013,000 *l.* in silver?—My statement referred to gold coinage only.

5921. From that 60,000,000 *l.* of gold he deducts 36,113,000 *l.* upon one basis only, whereas you give 11 bases?—I believe my statement to be the best with which I could furnish this Committee.

5922. I wanted to bring out the fact that Sir Robert Peel's estimate amounts to 5 per cent. of yearly depreciation?—That is perfectly true, but the circumstances of the coinage since 1844 have been very largely different from those previous to 1844.

5923. In what respect?—A much greater amount of gold has been coined annually on an average of years since 1844 than previously.

5924. Would not the various items be aggravated rather than diminished since 1844, if it required 5 per cent. to be deducted from the coinage in order to arrive at the true amount of the circulation from 1816 to 1842, which is 25 years, do you think that it is at all likely to be correct that you should only deduct 1¼ per cent. since then?—The honourable Member will see that Sir Robert Peel's estimate is that the deduction was 33 per cent. at that period.

5925. The amount of money which was again returned to the bank, and which was found to be light,

Mr. *Orr Ewing*—continued.

light, was in one year 33 per cent.; but that had not reference to the whole?—The honourable Member will observe that Sir Robert Peel's statement is this: "I think the best conjecture that can be formed, and it is necessarily a very vague one, would give as the probable amount of gold coinage circulation in this country between 30,000,000 *l.* and 35,000,000 *l.*" I would add that since that period Professor Jevons, of Manchester, has made an extremely careful calculation as to the amount of gold coin in existence in this country, based upon inquiries made at a vast number of banks, and Professor Jevons' statement has been used as the basis of almost every subsequent investigation. It was made about the year 1866, and I think that it enabled us to form a more correct idea of the gold coinage in circulation in this country than any previous investigation.

5926. Supposing that Sir Robert Peel was correct, and I have no doubt that he took the best means of arriving at a correct conclusion, in saying that there was then 35,000,000 *l.* in circulation, can you state what was the amount of the paper circulation at that time in England?—In 1844 it was about 37,000,000 *l.* in the United Kingdom; in England it was about 28,400,000 *l.*

5927. What is the circulation of notes now?—About 31,000,000 *l.* in England.

5928. Do you think that the circulation of gold has increased from 35,000,000 *l.* to 100,000,000 *l.*?—I do; I had the honour to read to this Committee on Thursday a statement from Manchester and from Sheffield, tending to show the vast increase in gold circulation within recent years. I have a statement from Messrs. Lampton & Co., of Newcastle, who tell me that they paid over their counter at their head office in Newcastle alone in the year1869, 2,980,768 *l.*, and in the year 1874, 5,249,120 *l.*; I have also a letter from Hull, which informs me that within the last seven years their circulation in gold alone has quadrupled. I am thus able to place before the Committee investigations at four very important points in the kingdom, and they all show how very large the increase in the circulation of gold has been within recent years.

5929. Do those parties also tell you what they have paid over the counter in notes?—They give me the note circulation in one case, and that has gone up in a much smaller proportion.

5930. What is the amount?—The increase is from 6,000,000 *l.* to 8,000,000 *l.*

5931. What is the amount returned as having been paid over the counter in gold?—In 1869 they paid over about 3,000,000 *l.* in gold, and about 6,000,000 *l.* in notes. In 1874 the gold had risen to 5,000,000 *l.*, and the notes only to 8,000,000 *l.*

5932. So that the note circulation is much greater than the gold circulation?—Yes, at that point.

5933. I suppose that, though a banker pays gold over the counter, it immediately comes back to him from his customers?—That is as it may be.

5934. What was the circulation in Scotland in 1844?—It was at the authorised limit at that period.

5935. What was the actual circulation in the year 1845?—It was 3,000,000 *l.*, and it has now increased to 6,000,000 *l.*

5936. Is the circulation now 6,000,000 *l.*?—Yes, the returned circulation.

Mr. *Orr Ewing*—continued.

5937. The circulation of Scotland is at present 6,000,000 *l.*; if you multiply that by 6½ (the population of England being six-and-a-half times as large as that of Scotland) what does that amount to?—I think the honourable Member has not quite gone into all the points of this inquiry; I must add to that the 2,000,000 *l.* excess which was given in evidence by Mr. Redman, as being at least the amount of the Scotch circulation before the exchanges were made, and I must also add 1,000,000 *l.* as the assumed amount of gold circulating in Scotland, for we have had it in evidence that more gold is returned by the Scotch banks than is brought from England. That brings up the circulating medium in Scotland to about 9,000,000 *l.*; that is about 2 *l.* 15 *s.* a head.

5938. That would make the total circulation according to the population of England 59,500,000 *l.*, would it not?—£. 59,500,000 *l.*; I am not prepared to say that I agree with your statement of the circulation in England, as it appeared to me to leave out several important elements; I think that to make the comparison with any advantage we ought to ascertain absolutely the amount of the circulating medium in both countries.

5939. According to the circulation in Scotland, which is thoroughly ascertained, with the exception of the gold, which you give Scotland greater credit for than I was prepared for, you would make the circulation in England upon the same basis, 59,500,000 *l.*?—Yes, that is perfectly true, but the honourable Member must bear in mind that the circumstances of the two countries are entirely different. The circulation of a country appears to me to depend upon the wealth of the country, and if I take the income tax in England and Scotland as the basis of an estimate, the property and income tax in England in 1874 was 4,800,000 *l.*, while in Scotland it was about 490,000 *l.* But, perhaps, the honourable Member will not accept the income tax as a basis of comparison between the wealth of the two countries, inasmuch as income tax may be deducted in England upon dividends paid in Scotland. I, therefore, propose to take the assessed taxes of the two countries as the basis of my estimate. The assessed taxes in both England and Scotland are upon dogs, servants, carriages (at that time upon horses), horse dealers, hair powder, and armorial bearings, which we may take to represent the luxuries of the countries. The assessed taxes in England were 1,167,000 *l.*, and in Scotland 85,000 *l.* If the honourable Member carries out this computation, which I submit he should do fairly, as to the relative wealth of the countries, he will see that the circulation in England is considerably smaller in proportion to the wealth of the country than in Scotland.

5940. Then you think that it is not inconsistent with the fact that England should have a circulation of 59,500,000 *l.*, calculated upon what the real circulation of Scotland is that England may have, under the circumstances which you explain, a circulation of 131,000,000 *l.*?—To that statement of 100,000,000 *l.* must of necessity be added the assumed quantity of bullion in the Bank, which brings it up to 115,000,000 *l.*, and to that must be added the paper circulation, making in all 146,000,000 *l.* But from that we must deduct the amount of gold in reserve in the two countries and in England; there is 24,000,000 *l.* in the Bank of England. I assume

Mr. *Palgrave.*

28 June 1875.

Mr. *Palgrave.*

28 June 1875.

Mr. *Orr Ewing*—continued.

that the amount of gold in reserve and in circulation in Scotland is 5,000,000 *l.*, and in Ireland about 7,000,000 *l.*, for we have had it in evidence that two banks in Ireland returned annually about 900,000 *l.* in gold to London. Then I must deduct also the amount of gold and bank notes held by the English banks, and also the bank notes circulating abroad, and I cannot take off less than 16,000,000 *l.* for those. I, therefore, arrive at an estimate of 95,000,000 *l.* of circulating medium in England, which, as I have endeavoured to show to the honourable Members, appears to me a much smaller proportion relatively to the wealth of the country than the corresponding circulation of 9,000,000 *l.* in Scotland.

5941. And I understand that that estimate of 100,000,000 *l.* in circulation, includes the money held by the banks?—Certainly. It is the estimate of the gold coinage actually in existence at the present moment in Great Britain and Ireland.

5942. I thought that you added 15,000,000 *l.* in the Bank of England?—I have to add that, because it is deducted again in the reserves of the Bank of England, as the honourable Member perceives. I was anxious to place it before him in the clearest manner possible.

5943. Have you then calculated what 131,000,000 *l.* would be in the pockets of every man, woman, and child in the nation?—My estimate is that, after the deductions which I have made, the circulation in England is about 4 *l.* a head, and in Scotland about 2 *l.* 15 *s.* a head, and relatively to the wealth of the country, I think that the English circulation is smaller than the Scotch circulation.

5944. Then you have altered the figures very much from the return which has been made; have you not?—I have made no alteration in the figures. I have given the honourable Member the circulation strictly.

5945. Will you give the Committee what your belief is as to the circulation?—My belief is that the circulating medium in England at this time, in which I include the gold in circulation in the country, and the notes in circulation in the country, both of the Bank of England and of the provincial banks, is 95,000,000 *l.*

5946. And 31,000,000 *l.* of that are notes?—I do not think that above 28,000,000 *l.* of it would be notes, because you must allow for the amount of Bank of England notes circulating abroad, which you cannot ascertain.

5947. Do you mean that there are 3,000,000 *l.* of Bank of England notes circulating abroad?—I think it extremely likely that at some periods of the year there might be even a larger amount than that.

5948. With the facilities that banks now give with respect to taking circular notes, do you think that there are three million of Bank of England notes in circulation abroad?—I think that at some periods of the year it is not at all unlikely that there is an infinitely larger sum than that abroad.

5949. Do you think that an amount equal to the whole authorised note circulation of Scotland is circulating in Europe in Bank of England notes?—It is absolutely impossible to do anything but make an estimate, but I conceive that such an amount is not impossible. The honourable Member must bear in mind that the circulation of Bank of England notes extends over the whole of the globe; you may find them everywhere.

Mr. *Orr Ewing*—continued.

5950. Then according to the figures which you have now put before the Committee, you make the circulation in England to be 95,000,000 *l.*?—That is the circulation in use as I conceive it to be at the present time.

5951. If you consider that there are 3,000,000 *l.* of Bank of England notes in circulation abroad, that leaves 28,000,000 *l.* as the amount of notes circulating in this country?—Certainly.

5952. Deducting 28,000,000 *l.* from 95,000,000 *l.*, you get 67,000,000 *l.*; therefore you come to the conclusion that we have 67,000,000 *l.* of gold in circulation in England?—I think that that is not an impossible amount; I have given the honourable Member statements from four banks which show the enormous amount of gold which those four banks circulate. The honourable Member will bear in mind that it is impossible to get absolutely precise information upon this point.

Sir *Graham Montgomery.*

5953. I suppose that as a provincial banker in England, you object much less to the Scotch banks coming to London, than you do to their establishing branches all over England?—I submit that that is scarcely a fair question to put; I think you cannot disconnect the interests of the English banks.

5954. Is your firm one of the association who made the arrangement with the Royal Bank of Scotland as to withdrawing opposition to their Bill, provided they restricted the Bill to coming to London, and did not establish branches elsewhere in England?—My firm had nothing whatever to do with that Bill that I am aware of.

5955. Do you think that if the Clydesdale Bank had not established branches in the north of England, this question as to Scotch banks coming to London would have cropped up as it has done?—I conceive that it might have done; I understand that the business of the Clydesdale Bank in those districts in which it has established branches in the north of England is exceedingly limited.

5956. How many provincial banks are there in England upon the same footing as you are, that is to say, with less than six partners, that would be entitled to establish branches in London if they were so inclined?—I take it that every English provincial private banker is at liberty to open in London, but as a matter of fact, not one has availed himself of that privilege. I believe it is a fact that issuing private banks may open if they like in London if their partners are less that six in number; there are 113 issuing private banks in England.

5957. As regards competition with London bankers, which has been so much brought out in this inquiry, is not the risk of those English provincial bankers who would be entitled to do so, coming and establishing branches in London, a cause for much greater alarm and anxiety to London bankers than the Scotch banks coming?—I think that the English provincial bankers, as a rule, have been entirely satisfied with the manner in which their London agency has been conducted, and therefore that they are not likely to come to London.

5958. Might not the London bankers feel much greater alarm from English bankers coming to London than from the few Scotch banks that can come

Sir *Graham Montgomery*—continued.

come to London?—As a matter of fact, there can be no doubt that the London bankers have been aware of this state of things, and they have never exhibited any feeling upon the point, that I am aware of.

5959. Is it not reasonable to suppose that their apprehension would be much greater as regards the English country bankers than as regards the few Scotch bankers?—I do not think that it would be so at all; I think that they would feel that existing arrangements are likely to endure.

Mr. *Campbell-Bannerman.*

5960. Is it your opinion that the Scotch banks by opening branches in London, or elsewhere in England, would use more capital for the benefit of the English public than they are able to employ in England at present?—It has been stated in evidence by (if my memory serves me rightly) Mr. Fleming, that no increase of the amount of Scotch capital in use in London was to be looked for from the opening of Scotch offices in London; already they employ a great proportion of their funds in London, and as I understand, they are not likely to increase them.

5961. Do you admit that there is anything in the Scotch system, in your opinion, sounder and better than the system practised by English banks, so far as banking is concerned?—I do not think that I should admit that.

5962. You do not think that they would do business for the public cheaper?—No, I do not think that they would do business in London cheaper. They have stated that, in coming to London, they have conformed to the London rules of business.

5963. If that is the case, if they will neither bring any more Scotch capital than is at present used in England, nor give better terms to the public, why should the English banks object to their competition?—Because they have advantages which English banks do not possess.

5964. But those advantages, *ex hypothesi*, do not give them any advantage over their neighbours?—But they give them advantages at home in Scotland.

5965. But by your answer to the previous question it appeared that those advantages which they enjoy in Scotland do not strengthen them for the purpose of coming to England?—I think that my answer was this: that they do not give the English public those advantages, as I understand.

5966. Therefore they would not compete on unfair terms with the English bankers?—Their position being strengthened by the state of circumstances in Scotland they would, to that extent, be on better terms so far as their shareholders were concerned than the English banks, as I understand it.

5967. We have been told that by their system they drain Scotland of capital and bring it into England, that they are able to set up branches and do many things that their competitors cannot do; you say that they will not bring more capital into England?—I understand that they have stated so.

5968. If that is the case, and if at the same time they do not do business more cheaply, and offer no inducements to customers to open accounts with them, it appears to me that they will naturally die out in competition with the English bankers, and that the English bankers need not

Mr. *Campbell-Bannerman*—continued.

object to their coming?—If the honourable Member's question amounts to this: Whether it it is likely or not that the Scotch might become weary of attempting to carry on business in England, I think it extremely likely that they might feel it to be to their interest, after a short period of inquiry, to confine their business to their own country; but that will be shown by experience if they continue in England.

5969. Then the case reduces itself to this: that either they would bring additional capital for the use of the English public, and give additional advantages to the English public, and in that case it will undoubtedly be a benefit to the English public that they should come; or they will not do either of those two things, and in that case they will not be able to hold their own against the English bankers, and they will retire again to the north of the Tweed?—It has been stated, as I understand, that the monopoly in Scotland (I use the word because it was used by the Scotch bankers) resulted from their peculiar advantages as to note issue, and I take it that no extension of a monopoly can be an advantage to the public at large.

5970. What do you mean by the extension of a monopoly?—Of the Scotch monopoly to England.

5971. But they would have no monopoly in England?—They would have it in Scotland, and they expect that it would strengthen their position here.

5972. I understand you not to admit that their monopoly in Scotland would enable them to compete on unequal terms with the English bankers?—I think that I have not denied that it might.

5973. If they neither bring capital nor offer cheaper terms?—The cheaper terms are an advantage to them, and not to the English public. The fact that they charge English customers rates which they state are less advantageous than Scotch rates is an advantage to their shareholders and not to the public.

5974. You consider that there is nothing to prevent a private bank of issue such as your own, not having more than six partners, coming to London and doing business there?—I understand that such is the law.

5975. But there is a prohibition against joint stock banks of issue coming to London, is there not?—The joint stock issue depends upon different terms from the issue of private banks, as has been explained to the Committee.

5976. Supposing that an English joint stock bank of issue desired to have an office, and to do business in London, is there anything to prevent the shareholders, or a certain number of them, by a separate deed of agreement, having an establishment in London, with a slight alteration of name, the original bank retaining its issue in the provinces?—The Honourable Member will feel that it is a difficult thing for me to express an opinion off-hand upon a very abstruse legal point; but I understand the terms of the Act, which I believe is the Act of 1833, to be these: that if any person being a shareholder in a provincial bank of issue is interested in a banking business in London, and receives profits from that business, his bank would forfeit the right of issue; and I conclude from that that if a shareholder in an English provincial bank of issue were also a shareholder in a London bank, his bank might, strictly speaking, be held to have forfeited the

Mr. *Palgrave.*

28 June 1875.

Mr. *Campbell-Bannerman*—continued.

right of issue. But of course that is a very extreme case, and I prefer to speak merely as a layman upon that point; but I think that that is an answer to the honourable Member's question.

5977. Do you think that even one shareholder would be sufficient to bring about that result?—I have been informed that that is legal opinion.

5978. That one Jonah would sink the ship?—Yes, I have been informed so, but in practice it could not arise.

5979. You have said that in your opinion the value of the right of issue in Scotland is enhanced by the power which it gives to establish branches; those branches are valuable to the public, I presume you think, as well as to the banks?—Beyond question they may be. Mr. Redman, however, stated in his evidence, that he thought that Scotland was considerably over-banked.

5980. In your valuable book, called, "Notes on Banking," you say this: "The network of banks on the surface of Scotland is as important to the development of the prosperity of the country as the network of railways; it has caused a great economy of capital, as the universal practice of people, even of the most moderate means, is to lodge their money with the banks"; do you adhere to that opinion?—I adhere to that opinion in the main, but of course it may be that though too many branches have been established in particular localities, the result may be advantageous to the bank.

5981. But this privilege of issue which the Scotch banks have, enabling them to establish branches, is in that respect a benefit to the public of Scotland, and to its commerce, is it not?—Speaking generally, without any question that is so.

5982. In the same book, on page 16, you make some observations with regard to the non-formation of any new banks in Scotland, and I think that perhaps I had better read the whole paragraph: "The influence of the Act of 1845, under which the note circulation is regulated, has been different in Scotland from England. It may have had some effect, from limiting the privilege of issue to the banks then existing, in preventing the formation of new banks, and hence, in repressing any excessive competition among the banks themselves, which might have led them to encourage wild and hazardous speculations. But the very small margin of profit made by the existing banks renders it scarcely probable that any new bank could, at the present time, commence a business in Scotland with any considerable prospect of success. The fact that no new banks have been started since 1844, is probably due to this cause, rather than to any other. It is, of course, possible that in some period of speculative activity, new banking companies may be formed in Scotland, but considering how completely the existing system covers the ground, there appears scarcely room for any new competitors. Experience both in England and in Ireland, in which latter country the position of banking is very similar to that of Scotland, shows that the possession of the power of issuing notes cannot be considered essential to the success of a bank." Do you adhere to the opinion which you there express, that the power of issuing notes is not essential to the success of a bank; that it is not

Mr. *Campbell-Bannerman*—continued.

from the want of that power that banks which have been established in Scotland have failed to succeed; and that the very small margin of profits made by the existing banks renders it scarcely probable thar any new bank could at the present time succeed?—With regard to the first part of the honourable gentleman's question, the evidence given, to the best of my remembrance, by Mr. Gairdner, before this Committee, was to the effect that he considered that it was not the note issue, but the fact of the existing banks having covered the ground so completely, that prevented the extension of banking in Scotland; and, therefore, I think that Mr. Gairdner's evidence confirms that portion of my statement. With regard to the second question, as to the powers of banking in Ireland, I was not aware, when I wrote that statement of the peculiar position of the circulation of the Bank of Ireland, which, as has been stated in evidence before this Committee, supplies new banks and non-issuing banks in Ireland with a convenient circulating medium accepted by all their customers, in the same manner as the Bank of England notes are in England, and in that sense placing a difference, which at that time I was not aware of, between the circumstances of banking in Scotland and of banking in Ireland.

5983. With regard to the other part of the subject, the small margin of profit, I do not wish so much to hear what Mr. Gairdner thinks as what you think yourself?—I think that Mr. Gairdner's opinion will, beyond any question, have more weight with the Committee than mine.

5984. But having inserted this paragraph in your book, do you, with your large knowledge of the subject, still adhere to it in general terms?—I adhere to it in the main, subject to any further information which I may at any time acquire.

Mr. *William Shaw.*

5985. Do you not think that the circulation was the means by which the Scotch Banks covered the ground so completely?—I think that originally it was.

5986. Has your bank any branches, strictly speaking?—We have 42 branches besides sub-branches.

5987. In what counties?—In Norfolk, Suffolk, and Cambridgeshire; and, I think, we have one in Lincolnshire.

5988. Do you issue your notes at all those branches?—At every one of them.

5989. You are, I suppose, generally satisfied with the state of country banking in England?—So far as we are concerned.

5990. I did not mean as far as you are concerned, but looking at the thing as a whole?—I think that the statements which I have placed before the Committee show the position of the English Provincial Banks to be a very strong position.

5991. I do not mean as regards their strength; but do you think it is advantageous that there should be a circulation so varied, and a circulation of such a small amount scattered through the country, without any known security, so far as the public are aware?—I think that if the law of the country had permitted the circulation to adjust itself to the want of the country more completely than it appears to me to have done, to that extent the public would have benefited.

Mr. *William Shaw*—continued.

5992. Do you think that there are improvements and changes that might be advantageously made in the law as regards country banking and circulation?—I think that the law might be altered with some advantage.

5993. More in the direction of the Scotch system, I suppose?—My own feeling (I would be understood to give my own opinion only upon this point) is that the less a business is fettered by legislation the more it is to the advantage of the country.

5994. You would allow them to amalgamate?—I should allow amalgamation in its fullest sense.

5995. You would allow them to issue against gold?—I think that that would follow as a necessary consequence.

5996. I think you have already expressed an opinion against the lodging of securities for an issue?—I expressed no opinion against the lodging of securities. Circulation may be regarded either as money, or as another form of credit. If it is regarded only as another form of credit, it appears to me to form such a very small fraction of the total banking liabilities of the country as scarcely to deserve attention from the Legislature.

5997. But it is not generally considered as a mere form of credit; it is a currency; it is a substitute for gold; and in that way do you not think that there should be a distinct provision made for its security?—As a matter of principle or of theory, I agree with the honourable Member; but he will observe that a system of banking in this country has grown up, which has lasted some hundred years, and which has become very complicated, and includes many and vast interests; and I should think it most likely that most of the existing shareholders in joint stock banks, and very likely some of the partners in private banks, have only a very slight knowledge of the law upon these points, and therefore it is very difficult to make any arrangement which would be fair and equitable to every one all round.

5998. If the law was changed so as to make securities necessary, and at the same time amalgamation possible, do you not think that the thing would adjust itself very quickly?—I think that if security were required, it would be only fair to allow the power of amalgamation in its freest and fullest sense before the security was required.

5999. You stated, I think, that the drain of gold from England affected the rate of discount in London; do you think it does so to any appreciable extent?—I have read figures to the Committee which appear to me to show that the Scotch demand for gold has been coincident in point of time with the raising of the rate of interest charged by the bank at the two periods of the year when that demand exists.

6000. Do you not think that there must have been to some other disturbing causes besides that?—I have made every investigation in my power to endeavour to ascertain if there were other disturbing causes, and I have been unable to discover any. As I named to the Committee, I do not find that those differences in the rate of interest existed before the year 1844, and the Clearing House Returns appear to me to show no peculiar pressure at the particular point at the present time.

6001. You are aware, I suppose, that the

Mr. *William Shaw*—continued.

demand for gold is from the banks to satisfy the requirements of the law, and is not from the people?—Certainly.

6002. Have you considered in case a 1 *l.* note circulation was allowed in England, what its effect would be in that respect?—Does the honourable Member mean to inquire as to a 1 *l.* note circulation issued against gold or issued against securities and gold?

6003. Partly by one and partly the other. To what amount would a 1 *l.* note circulation displace gold?—It is difficult to form an estimate. I think that it would displace gold very likely to the extent of 25,000,000 *l.* or 30,000,000 *l.*; but I would wish that to be understood as a mere rough estimate.

6004. That would be something like half the gold circulation, would it not?—About one-third, but that is a mere rough estimate.

6005. The entire note circulation of the three kingdoms would be something like 80,000,000 *l.* according to that, would it not?—Yes, it would be something like that.

6006. Do you not think that where there is a privilege of this kind granted by the State, it would be a fair thing to impose in all cases publicity of accounts?—I think that since private banks have been allowed to carry on their business for a hundred years, and in some cases longer, without publishing their accounts, any legislation to that effect ought to be very carefully and, I might add, considerately conducted.

6007. Do you not think that it would be a fair thing that the State should get some return for such a privilege in the way of a tax?—There is a return already in the shape of a very heavy tax which we have to pay.

6008. Do you call 7 *s.* per cent. a heavy tax?—We have to pay also 30 *l.* license duty for every branch which we open, which does not appear from the evidence before this Committee to be the case in Ireland; I understood that each branch in Scotland paid a 30 *l.* license, but I did not understand that to be the case in Ireland.

6009. If that license duty were done away with, do you not think that such a thing as an issue would fairly bear a 1 per cent. tax?—I think that I hardly ought to answer that question offhand.

6010. That would imply something like 400,000 *l.* a year income to the State, would it not?—As the honourable Member is aware, the Bank of England pays a very heavy tax for its privilege.

Mr. *Leveson Gower.*

6011. Do you mark the Bank of England notes that you issue?—No, not at all.

6012. But it is the case, is it not, that some banks do so?—Some banks do, but we never have done so.

6013. Would that increase your liabilities?—I do not think that we should consider that it did, except so far that if you issue a note, you are liable to the person who receives it of you. We should never issue any Bank of England notes about which there could be the smallest risk. We import our Bank of England notes from London, and return the soiled notes which we receive to London.

6014. But would not such a mark be a notice to the public that you had changed such a note at the bank?—I do not know that it would

Mr. *Palgrave.*

28 June 1875.

Mr. *Palgrave.*

28 June 1875.

Mr. *Leveson Gower*—continued.

necessarily mean that, but however we have never done it.

6015. There has been great stress laid upon the advantage of issues to a bank, in the way of advertisement; would not the same advantage be obtained if every Bank of England note issued by a bank were marked with the name of that bank, so that the public would know where they could get the Bank of England notes changed?—When I stated that the notes acted as an advertisement, I ought to have added that they likewise enable a banker to carry on his business without making many small charges to his customers. No banker likes to make small charges to his customers. The circulation is of use to a banker in many ways, and I do not think that the placing of a mark upon a Bank of England note, would either benefit the banker or enable him to benefit his customers in the same manner.

6016. The advantage consists then not so much in the way of advertisement, as in the fact, that they are enabled to pay their notes without charge?—The advantage lies in the many small points of conducting the business.

6017. I believe that you are of opinion that the local issue is an advantage to the public of England?—Yes, I am of that opinion.

6018. I suppose I may take it that you are likewise of opinion that the local issues of Scotland are an advantage to the public in Scotland?—Beyond question they are.

6019. And therefore you would be opposed to any proposal to deprive the Scotch banks of their issues?—I think that it would be scarcely politic to propose to withdraw any privileges which the Scotch banks possess.

6020. With regard to the withdrawal of gold from England to supply the wants of Scotland and Ireland, you have hardly stated how this acts; is it your opinion that the Bank of England raises its rate of discount because it sees its reserve of gold diminish?—I understand that the practice of the Bank of England is, generally speaking, to regulate its rate of discount according to the state of its reserves.

6021. But surely the Bank of England would make a great distinction between the two cases when the gold is withdrawn for a mere temporary purpose such as this, and when from experience they know for certain that in two or three weeks the gold will return, or when the gold is diminished or there is a drain out of the country from some other and more permanent cause?—I apprehend that it would not be suitable for me to do more than lay before the honourable Member the facts as they appear to me to have occurred; I do not think that I ought to draw any inference as to the mode of conducting the business of the Bank of England.

6022. But I suppose that it would not be too much to ask you to say whether, in your opinion, any temporary withdrawal of gold would be the same ground for limiting the accommodation to the public as a more permanent withdrawal?—Any withdrawal from the reserves of a bank diminishes them of course for the time, and I do not think that a banker is justified (I am merely stating this as a general impression) in doing more than look at the state of his reserve at the time.

6023. You do not think that it would be the duty of the bank to consider whether the gold was going away altogether, or whether it was certain to return to him in a short time?—He might apprehend that a further diminution would take place, in which case he would still possess but a small reserve at the end of the time when the gold might have returned.

6024. With regard to monopoly, I believe you say that a monopoly is a disadvantage to the public?—I think that a monopoly may in one sense be regarded as a disadvantage.

6025. Is not its sole disadvantage, economically speaking, that it limits competition, or can you state any other disadvantage in it?—I do not know that it would have any further disadvantage.

6026. By restraining the Scotch monopolists, as they have been called, from coming to England, in what way do you extend competition; do you not, instead of extending it, limit it?—I do not quite catch the meaning of the question.

6027. The disadvantage of monopoly in Scotland, if there is any disadvantage, is that it limits competition in Scotland; but by keeping the Scotch banks out of England you limit competition still more, do you not?—I think that we must leave the Scotch bankers to take care of themselves.

6028. But if the sole evil of a monopoly is that it limits competition, surely the only way of curing that monopoly is to do something which will extend competition?—But if they extended all over England, England might be in a similar position.

6029. But it is assumed that the monopoly is confined to Scotland; we have it before us very distinctly; and therefore does it not appear to you that the way in which you propose to cure the monopoly in Scotland is by establishing another monopoly in England?—I do not think that banking business in England is in any sense a monopoly.

6030. But supposing that the English bankers were saved from competition on the part of the Scotch bankers, would there not be a monopoly?—I think that competition is so sharp among English bankers, that there is no probability of any monopoly of that description taking place.

6031. I thought that the ground of objection taken by the English banks was that the Scotch could compete with them, and, therefore, increase competition?—The ground of their objection is that the Scotch bankers have some privileges which are denied by law to the English bankers, and which it appears to be impossible to extend to English bankers.

6032. And, therefore, on that ground the Scotch bankers ought not to compete with the English bankers in England?—On that ground they ought not to compete with them in England.

6033. And, therefore, if you do prevent their competing in England, you prevent competition?—So far as the Scotch banking is concerned, that is so; but there is a very sharp competition in English banking. For instance, we never let our neighbours know what charges we make to our customers, and many banks do not even let anyone know what rate of interest they allow. I take it that that proves a far keener competition between English banks than exists between Scotch banks.

6034. Then you think that there is plenty of competition already?—Plenty, and the public have the full benefit of it.

6035. I think

Mr. *Sampson Lloyd.*

6035. I think you stated in an earlier part of your evidence, that you found that provincial deposits increased just as provincial circulation declined?—I stated that the two things had occurred at the same time.

6036. Does not that prove that the decline in circulation, when it took place, was not caused by any loss of credit with the public of the issuing banks?—I think that it was not due to any diminution of credit, as is shown by the vast increase of their deposits.

6037. Inasmuch as the public trusted the banks with more money, in one form, though they did not take their notes so largely, it proves, does it not, that the public trusted the banks just as much when their circulation was low as when it was high?—That increase in deposits is far more in proportion than the decrease in circulation, and I think it shows that the confidence of the public is greater.

6038. I think you stated that, from the same dates, the rates of discount fluctuated much more?—I think that the increase in the fluctuations in the rate of discount at the same time, with the growth in deposits in the English banks, was merely a fortuitous circumstance; I do not think that they could have any connection with each other.

6039. Then you do not think that the fact of the rates of discount fluctuating more when the provincial circulation declined proves that an increase in provincial circulation, or a maintenance of a given amount of provincial circulation, tends to steady the money market? I understand from your tables, that the rates of discount in London have been proved to have fluctuated much more since the time when the provincial circulation was less, than it did before?—I think that the fluctuation in the rates of discount in London, beyond any question, has depended upon a great many and different causes. I do not think that the decline in the provincial note circulation, merely, or the increase in deposits by itself, can have had any effect on the fluctuation of the rates of discount.

6040. Then, in fact, if that be so, the provincial circulation has no material effect in benefiting the public by making steadier the money market?—I do not intend to convey that impression; on the contrary, I think that if the provincial circulation did not exist, the fluctuations which at present take place in it, without any effect being caused by them on the central reserve of the country, would be transferred to that central reserve, and in that case that the reserve would be liable to be weakened at certain times simply by the provincial demand.

6041. Does not that lead to the inference that the existence of a provincial circulation tends to lessen the pressure upon the Bank of England reserve?—I think that there can be no question that it does.

6042. And if so it necessarily tends to lessen the fluctuations in the rate of discount, does it not?—My opinion is that it is so.

6043. If that is so I suppose you would think that, quite apart from any little local advantage which the public may derive, the general commercial public of England derives some distinct advantages from the existence of the country issues, and from their being maintained at a fair amount?—Yes, I think that is the case.

6044. If a steady amount of circulation is beneficial to the general public somewhat in proportion to its general magnitude, why should that increase not be beneficial to the public if it were in the shape of 1 *l.* notes instead 5 *l.* notes?—I think there are many objections to 1 *l.* notes which I have endeavoured to state to the Committee; such, for instance, as this: that the sovereign being the unit of the circulation, 1 *l.* notes would tend to take the place of the gold circulation far more closely than 5 *l.* notes ever can do.

Mr. *Sampson Lloyd*—continued.

6045. Assuming the existence of the evils which you stated, such as the risk of forgery, and the fact that an issue of 1 *l.* notes would cause less gold to be held in the country, still, I presume, that if the Legislature determined that a portion of this beneficial country issue should be in the shape of 1 *l.* notes it would not have a less beneficial effect in the general sense, apart from the question of forgery, than if it were an issue of 5 *l.* or 10 *l.* notes?—I cannot think that an issue of 1 *l.* notes would be beneficial to the country.

6046. As regards the fluctuations in the rate of discount to which you have several times made allusions, is it not the fact that the operations on the bank reserve, and therefore the fluctuations in the rate are caused very largely by the withdrawal of deposits, and not at all exclusively by the issue of notes?—Beyond question that is the case. I have not done more than state that those fluctuations in the rate of discount are coincident with the increase in the Scotch and Irish demand; I think that I should be going beyond what is desirable if I attributed it to anything further.

6047. Is it quite fair to attribute to any law regulating the issue of notes exclusively or even primarily all the fluctuations in the rate of discount which arise from a diminution of the bullion reserve in the bank of England?—I think that the fact that those fluctuations correspond in time and increase with the increase of these demands, shows that there may be a close connection between them.

6048. But supposing that a very wealthy firm of capitalists in the City are conducting operations with a foreign country which involve the export of half a million of gold, may they not, if they have a sufficient deposit at their credit, for instance, in the Bank of England we will say, carry on that operation and export that gold by withdrawing that deposit without themselves affecting the issue of the notes?—The honourable Member will observe that this statement which I have drawn up shows that certain months are marked, as far as the rate of discount goes, beyond the other months in the year. This question, as I understand it, would assume that those capitalists have operated at the same time and uniformly in the same manner over the last 30 years.

6049. What I mean to ask is, whether it is not possible that some operations on the Bank reserve, that is to say, on the bullion in the Bank of England, may take place through the withdrawal of deposits, and not directly through the cancellation of notes?—Notes must be cancelled, as I understand, as deposits are withdrawn.

6050. They would not be cancelled by this particular firm sending them in?—If a firm withdrew its deposits in the Bank of England, as I understand, they must be paid in Bank of England notes.

6051. It might be drawn out in bullion, might it not?—I conclude that the form in which it would

Mr. *Palgrave.*

28 June 1875.

Mr. *Palgrave.*

28 June 1875.

Mr. *Sampson Lloyd*—continued.

would be taken out would be in notes of the Bank of England.

6052. The only point I wish to raise is, whether it is right to confine the attention of the Committee to the fluctuations in the rate of discount as arising solely from the laws regulating the issue of notes; and whether the fact that the Bank of England holds large sums of money on deposit, which deposit may be withdrawn for these international purposes is or is not a very important fact which ought to be taken into account in determining the wisdom, or the unwisdom, of laws regulating the issue of notes?—I think that those points ought also to be taken into consideration.

6053. You were asked as to the unwillingness of English bankers to exchange Bank of England notes, and as to the consequent advantage to the public of a local issue. Is it not quite as much a question of encouraging fraud by exchanging stolen Bank of England notes, as a question of courtesy to the public?—We should not, as a matter of practice, exchange a Bank of England note to any person whom we did not know, for the reason which the honourable Member gives.

6054. Whereas if a man presents your own notes you cannot ask any such questions?—Certainly.

6055. Therefore your not cashing Bank of England notes is not a question of want of courtesy and liberality, but it is a question of the encouragement of fraud?—We consider ourselves bound to make due inquiries before cashing Bank of England notes.

6056. You were asked whether you considered monopoly an advantage to the public, and whether keeping the Scotch monopolists out of England, limits competition; I presume you would not object, on equal terms, to have Scotch or any other persons, monopolists or non-monopolists, competing with you so long as they possess no privilege which you do not by law possess?—No, we can object to no competition whatever which meets us on fair and equal terms.

6057. You, therefore, do not wish to limit competition, but you only ask that competition, where it exists, shall be on equal terms as regards the law?—Certainly.

6058. You were asked as to the greater proportion of paid-up capital and reserves to the liabilities of English banks, as compared with the proportion of paid-up capital and reserve to the liabilities of the Scotch banks; have you at all considered what is the proportion of actually subscribed capital to liabilities?—No, I have not gone into that question at all; I think it is the paid-up capital and reserve that one has to look to.

6059. Is not subscribed capital, properly held by solvent subscribers, quite as good a security to the public as paid-up capital which may be badly invested?—No doubt subscribed capital may be very advantageous to the banker, but I have not the figures before me, and I did not inquire into that matter.

6060. May not a bank which has a large subscribed capital, in good hands, be as safe to the public as another bank which has a paid-up capital which may be very badly invested indeed in overdrawn balances of doubtful character, and so forth?—Beyond question that may be the case.

Mr. *Sampson Lloyd*—continued.

6061. And, therefore, if you made out a table of the proportion of subscribed and paid-up capital to liabilities, comparing England with Scotland, possibly that might be a fairer test of the power of the banks than the other?—The circumstances of banking in England and Scotland are so very different, that I am not certain whether a table so made out would supply the exact test that the honourable Member thinks it would; my impression (but I am entirely speaking from an impression) is that Scotch banks, generally speaking, have their capital entirely paid up, or at least in a larger proportion paid up than the English banks; and the practice varies amongst English banks to so great an extent that I hardly think it would be possible to get any useful information from such a table.

6062. If an English bank has 2,000,000 *l.* subscribed, and only 500,000 *l.* paid up, if the subscribed capital is well held, may not that be quite as good a security to the public, the liabilities being the same as in the case of a Scotch bank which has 1,000,000 *l.* all being paid up?—There is no question about that.

6063. Although, by the return in the form stated in evidence, the English bank would appear to be only half as strong as the Scotch bank in paid-up capital, it might really be quite as strong in available resources?—No doubt.

6064. You were asked as to banks which had failed and paid no dividends in England, and a very formidable list was intimated to exist; does not the dividend which a bankruptcy estate pays depend very greatly upon the expenses of realisation, upon the amount which the gentlemen of the long robe swallow up?—The expenses of bankruptcies in England are very heavy, and swallow up large sums which would otherwise be available for the use of creditors,

6065. Have you not seen returns showing that under the Scotch law of bankruptcy, the average expenses of realisation are about 12½ per cent. upon the assets realised, whereas in England a very large proportion of the entire assets are sometimes swallowed up by bankruptcy, the average being often 40 or 50 per cent.?—I understand the average expenses of bankruptcy are far larger in England than they are in Scotland, and such a circumstance ought to be taken into account in any comparison between the two countries.

6066. In short, your answer is that we need more an importation of the Scotch law of bankruptcy into England than an importation of the Scotch banks?—That is my view in the statement quoted on the present occasion.

Mr. *Hussey-Vivian.*

6067. You gave a return of 59 banks, issuing and non-issuing, in England; and also a return of 21 issuing banks in England; did the return of the 59 banks, issuing and non-issuing, include the 21 banks of issue?—My impression is that it included some of them; but as the returns from the 59 banks have been destroyed, I can scarcely answer that question.

6068. Was there much difference in the relative amounts of capital and deposits in the 59 banks?—I did not go into that part of the question at all; I did not examine the statement so as to enable me to give that kind of answer; I am sorry it is not in my power to give that information to the Committee.

6069. What

Mr. *Hussey-Vivian*—continued.

6069. What do you consider to be the proper proportion of investments in first-class securities, in regard to the total liabilities of a banker?—That is a very difficult question to answer; and I think that the reply must depend upon the circumstances of each district, and the demands that are likely to be made on the bank.

6070. Deposits being held at call?—Deposits may be all nominally held at call, but the practice in one district may vary very largely from the practice in another district; I mean that the practice as to withdrawal may be very different in one district from what it is in another. In some districts, for instance, people will practically leave their money from one year to another, with very little alteration; in other districts, perhaps they may require sums at periodical intervals during the year. It is a question which can only be answered according to the particular circumstances of each district.

6071. No doubt deposits at call may be withdrawn at once, in the case of a want of confidence arising, and that must be always taken into consideration, I suppose, in sound banking; in view of that, what amount of deposits do you think ought to be invested in Government and other first-class securities and in bullion, and to be so far locked-up as to be unavailable?—There have been times when Government securities have scarcely been realisable; and therefore it is scarcely possible to give a general rule for individual cases.

6072. I think you stated that you considered that the return with regard to the 59 banks, went to show their great soundness, and that you based your opinion on the proportion which capital bore to deposits?—I think my reply was as to their strength. I think there is no question that a bank which has a large capital and reserves in proportion to its deposits, is in a far stronger position than a bank which has but a small capital.

6073. Would you measure their relative soundness or strength by the proportion which their capital bears to their deposits?—I think it is one element in the question, and that it would be very undesirable that there should be large deposits with but a small amount of capital.

6074. Is not the main element of soundness the mode in which the assets of a bank are invested?—No doubt about it; but that must lie within the discretion of the banker.

6075. But that is the main element of soundness, is it not?—No doubt.

6076. Can you give the Committee any statement, such as the Scotch banks have given, in regard to the assets of those 59 banks?—It is not in my power to do so.

6077. Do you consider that where notes are issued under the authority of the State, gold should be held against those notes?—I think there is no doubt that the State ought to be in a position to meet every demand that is made upon it, immediately. I do not think that it would be in any way desirable that less than the half of the State issue should be held against it in gold.

6078. But you think that one-half at least should be absolutely realisable in gold?—I think that in a State issue, beyond all question, one-half should be held in gold, and that if such a proposition were held, the State would make no profit whatever upon such an issue.

6079. Do you regard our present issue of bank notes as in any respect a State issue?—It is a legal tender beyond any doubt, but I hardly know how far that makes it a State issue or not.

6080. That is the point of my question; whether or not you consider it to be a State issue?—I think I must confine my reply to the fact that it is a legal tender.

6081. And, consequently, it is a State issue?—And, consequently, it has every advantage in that respect that a State issue could have.

6082. But the holder may be considered to be a creditor of the State, may he not?—I think that the fact that the State stands behind the Bank of England has been shown every time that the Bank Act of 1844 has been suspended, or has been proposed to be suspended.

6083. That is so far as the Bank of England note is concerned; but the Scotch bank note stands precisely in the same position with regard to its being a legal tender in Scotland, does it not?—No; I do not understand that the Scotch bank notes are a legal tender anywhere. There is no legal tender but gold in Scotland, or in Ireland either.

6084. Then the Scotch notes are simply issued under the authority of the State, but they have only a certain very shadowy security in regard to gold?—The issue of Scotch bank notes is regulated by the State as to the proportions allowed to be issued against securities and issued against gold; that gold, as I understand it, is held in consequence of the desire of Sir Robert Peel that the note circulation should fluctuate in the same manner as the gold circulation, and is not to be regarded as any special security (as was shown by that statement of Mr. Freshfield's which I read to this Committee) against the note issue in particular.

6085. Then the holder of a Bank of England note, and the holder of a Scotch note, stand in this different position with regard to each other, do they not, that the State is really liable for the payment of a Bank of England note, whereas it is in no way liable for the payment of the Scotch bank note?—The position of the holders of the two notes is entirely different in that sense; I think the position of the holder of a Scotch note is exactly similar to that of the holder of an English provincial note.

6086. Do you consider that any advantage accrues to the public by a note circulation; does not the man who has five sovereigns in his pocket pay just as much for them as he pays for a 5 *l.* note?—In that sense it is so; but the note circulation is of advantage to bankers, and as they have to share their advantages with the public, I think that in that sense the public is the gainer.

6087. I fail to see how that arises?—I think that the possession of a note circulation enables a banker to conduct his business on more favourable terms to the public, and to offer greater facilities to the public, than if he has no note circulation; and I think that in that sense, and also as regards the convenience of the bank notes as to portability, the public is the gainer.

6088. In fact, you think that it creates a capital for the banker which the banker may use for the benefit of the public?—I think the amount of the English provincial issue is so small, in proportion to the total capital held by bankers, that in that sense it can hardly be looked upon as affording any appreciable advantage to the banker himself,

Mr. *Palgrave.*

28 June 1875.

Mr. *Palgrave.*

28 June 1875.

Mr. *Hussey-Vivian*—continued.

himself, except so far as it facilitates the course of his business.

6089. That is so far as the existing circulation goes?—So far as the existing circulation goes.

6090. I am talking now of the principle; would you consider that the public would be benefited by a further issue of bank notes?—I think that the existing issue in England is very nearly, or perhaps exactly, bounded by the amount that it would be provided the issue were entirely thrown open, and that issue limited to notes of the same denominations that exist at present.

6091. Then you do not consider that any advantage would accrue to the public from an increased issue of bank notes in England?—That is a wide question, but I think that the existing issue corresponds with the wants of the public. No bank has the means of forcing its notes upon the public.

6092. Then the logical sequence of that would be that no increased circulation is required?—I think that the amount of issue in circulation suffices for the wants of the country.

Chairman.

6093. I wish to understand how far you consider that private banks having a right of issue can now amalgamate without losing their right of issue. Supposing that there are two banks, each with five partners, and that one gentleman belonging to one of the banks joins the other so as to make its number of partners up to six, and that another gentleman from the second bank joins the first so as to make its number up to six, do those two banks still continue to retain their right of issue?—Certainly, under the Act of 1844. I think, as a matter of fact, there have been six amalgamations of that description since the Act of 1844. I mean that the private issuing banks are now diminished in number by six, through amalgamation.

6094. Those banks retaining their issues?—The amalgamated banks in those cases retained their issues, being private banks. But if a joint stock bank had amalgamated with a private bank the joint stock bank would have lost its right of issue. Again, if two joint stock banks amalgamate together, one of the banks losses its issue. The right honourable gentleman will observe that, in consequence of this peculiar arrangement of the law of 1844, the result has been very uncertain in its working over the country.

6025. With reference to your own bank, I understood you to say that there were four distinct partnerships, but that certain partners were partners in all the four?—Yes.

6096. Does that constitute a single concern?—It constitutes four distinct partnerships in the eyes of the law, I believe.

6097. Has each of those distinct partnerships its separate amount of issue, or has the whole combined partnership an issue of 261,000 *l.*?—Each separate partnership has its separate and individual right of issue, making in the aggregate 261,109 *l.*

6098. What is the connection between those banks; how far is one responsible for another?—I do not think that one of our banks is responsible for the liabilities of the other banks; but that is a very difficult legal question. I think that our head office is liable for the whole of the responsibilities of the firm.

Chairman—continued.

6099. Did this arrangement exist prior to 1844?—It existed from about the year 1780 onwards.

6100. No similar arrangements could now be made between other private banks without one or two of them losing the right of issue, I presume?—I think other private banks might follow the same system.

6101. Do you mean that there being two banks of issue in Exeter, they might combine themselves in the same way that your four branches are combined, and might still retain the full amount at issue which the two banks have now between them?—Yes, certainly; and there have been instances of the same kind in which two banks have coalesced and retained their right of issue.

Sir *John Lubbock.*

6102. I think I understand you to say that you are in favour of the general policy of Mr. Goschen's Bill?—I am in favour of not allowing banks which have privileges beyond other banks to compete with those banks which have not those privileges.

6102. The Right honourable gentleman the Chancellor of the Exchequer asked the last witness towards the close of his evidence, a question with reference to what would satisfy the requirements of justice in the assumed case of a Scotch bank which sold its right of issue to another bank; are you prepared to give any opinion upon that point?—I think that the Right honourable gentleman's question was as to the position of a Scotch bank if it had entirely parted with its circulation, and I believe that the evidence before this Committee has shown that a Scotch bank which parted with its circulation could not in the slightest degree exist as a Scotch bank; that is a matter of necessity to it to have a power of circulation, and therefore that such a state of things could hardly, as a matter of fact, occur.

6104. In regard to the answer which you gave to the honourable Member for Stirling with reference to the passage he quoted from your book, I presume that while you agreed with the main part of that passage, the evidence which has been given before this Committee has modified your opinion upon the special point as to the importance of the privilege of the right of issue possessed by the Scotch banks?—It has modified it to this extent: that I have learnt that the state of matters in Ireland differs from the state of matters in Scotland so far as the power of issue is concerned, and that the opinion of the Scotch bankers is that they have so firm a hold over the country through their existing monopoly that they do not dread any further competition.

6105. You are aware that Mr. Davidson, in Answer 959, stated that it was the privilege of issue that really enabled Scotch bankers to keep up their present system; and that Mr. Gairdner, in answer to Question 1285, stated his opinion that if the circulation of 1 *l.* notes was stopped in Scotland they could not possibly maintain the same number of branches that they have at present?—I conclude that both those gentlemen are far better acquainted with the details of Scotch banking than I am, and their opinions are far more reliable upon this point than mine; but that if they had not the power if issuing 1 *l.* notes they would have to withdraw a great number of their

Sir *John Lubbock*—continued.

their branches, has, I believe, been stated in evidence.

6106. Upon that point you have modified the opinion which you expressed in your book?—One lives and learns upon those points.

6107. Your argument, now, I take to be that the monopoly enjoyed by the Scotch banks excludes the English banks from Scotland, and consequently that that places them at a great disadvantage?—There can be no doubt that no English bank could open in Scotland with the remotest chance of success, as I think has been abundantly shown by the fact that two banks have attempted to open in Scotland, and have found it impossible to carry on their business.

Mr. *Campbell-Bannerman.*

6107. Were those English banks?—They were stated to be English banks.

6109. Were they banks existing in England and opening branches in Scotland?—I think they were companies formed in England.

6110. They were not English banks extending to Scotland?—I think that no English bank has ever attempted to do such a thing.

Sir *John Lubbock.*

6111. And therefore you consider that, as English banks are practically excluded by the legislative privileges enjoyed by Scotch banks from going to Scotland, it is only just that the Scotch banks should be confined within the area of their monopoly?—I think that there is no doubt that no English bank could open with any advantage in Scotland, and therefore that the Scotch banks have a privilege which the English banks have not.

6112. So far as the question of principle is concerned, of course the case of London is the same as the case of the rest of the country?—Unquestionably.

6113. The honourable Member for Bodmin asked you some questions with reference to monopoly. I think that the tendency of your evidence would be to show that, in your opinion, the establishing of Scotch banks in England would not result in an increase of competition, and that the ultimate effect of the introduction of the Scotch system would probably be to diminish the number of banks in England, and therefore to diminish the amount of competition?—I do not think that the existence of Scotch banks in England would give the benefit of any increased competition to England.

6114. The average amount of gold held by Scotch banks over and above that which they are bound to hold against their notes has been stated in evidence to be about 1,000,000 *l.*, their liabilities to the public being 85,000,000 *l.* I have no doubt that, under existing circumstances, the Scotch banks are the best judges that that is a safe state of things; but do you think it could exist apart from the special privileges and the special system of banking which exists in Scotland?—I do not think that they could be satisfied to hold so small an amount of gold in Scotland if they did not know that they had the means of obtaining a further supply from England whenever they require it.

6115. I think that the amount of gold held by the Scotch banks is shown by the returns to be about 4,000,000 *l.*, on the average, and you have stated that you estimate that there is about another 1,000,000 *l.* in circulation in Scotland; that would be 5,000,000 *l.* for Scotland?—Yes; I estimate that there may be that amount.

6116. If the proportion of gold held in England was the same, multiplying the 5,000,000 *l.* by 6½, that would give us a circulation of gold in England of 32,500,000 *l.*, would it not?—Certainly.

6117. Whereas you have estimated the amount of gold that is in circulation in England as 115,000,000 *l.*?—Certainly.

6118. Therefore we hold 82,500,000 *l.* in England more than our proportion, according to population?—Beyond question, we hold a far larger proportion of gold in England than is held in Scotland.

6119. The honourable Member for Dumbarton asked you some questions with reference to Scotch and English bankruptcies, with a view, as I understood, of showing that the people of England were less careful in their dealings than the people of Scotland; but when a firm fails in England, is there any distinction made as to the nationality of the partners?—None whatever.

6120. Therefore, if enterprising Scotch firms came to England to do business and failed, of course they would appear amongst the English bankruptcies?—Beyond question they would swell the number of English bankruptcies, but I think that the statement which the honourable Member quoted rather shows the advantages of the Scotch laws than the fact of the English practice.

6121. If you will have the goodness to look at pages 104 to 107 of Mr. Somers' book on the Scotch banks, I think you will see that, unfortunately (I do not wish to pursue the subject further), there have been failures in Scotland among the banks during the last century as well as in England?—I see a great many statements of failure in this list, but I trust we are not going back to 1748.

6122. If you will have the kindness to look at Mr. Fleming's evidence, in answer to Question 1703, with reference to the reason which induced him to come to London, I think you will see that he did not refer to the magnitude of the business, but said that it was the fact of the National Bank having come to England, which, in his opinion, compelled him, though with reluctance, to come also?—Mr. Fleming states in his evidence that he came to London with not a little hesitation and with a good deal of regret. The question put to him was this: "So that your arrangement, by which you are all linked together in Scotland, made it practically necessary that if some of you come to London you must all come to London?" That appears to have been the motive which urged Mr. Fleming to open his office in London.

6123. You have been asked your experience with reference to the action of note circulation on deposits in times of pressure; is it not your experience that that pressure arises from an increased demand for accommodation on the part of the public rather than from an actual diminution either of the amounts in circulation or of the amounts of deposits; that is to say, rather from an increased demand for discounts and loans on the part of your customers than from a diminution of the deposits held by you during those periods?—I think that our provincial experience is scarcely applicable to that particular point.

6124. Has your attention been called to a paper

Mr. *Palgrave.*

28 June 1875.

Mr. *Palgrave.*

28 June 1875.

Sir *John Lubbock*—continued.

which has been put in by Mr. Gairdner with reference to the comparative charges of English banks and Scotch banks?—I have seen that paper, but I have only taken a casual view of it.

6125. Are you prepared to admit the principles upon which that paper has been calculated?—The honourable Member will feel that he places me in rather a difficult position; he is examining me, as I have been examined before in the course of this inquiry, upon statements based on a book of my own writing; but I will endeavour to answer him without partiality, and entirely as if this statement was based upon some one else's figures than my own; I think the honourable Member will feel that no sum can work out correctly which has an error in its first stating; and that is exactly the point upon which this statement appears to me to go astray; it must be understood that there is a vast difference between the manner in which business is carried on in England and the manner in which business is carried on in Scotland. In England the district over which banking extends is usually very limited in its area, whereas in Scotland it is usually a very large district. Now there are very great advantages and disadvantages in each method. For instance, the field over which the banking operations extend may not supply the bank with sufficient deposits, or equally it may fail to supply it with the opportunity of using them; but where it does it cannot be doubted that there the profits are by far the greatest. The English private bankers generally are persons who know every one in their districts, and are known by every one; they have the knowledge which enables them to employ their deposits to the greatest advantage, and they are persons usually of considerable standing in their own districts; I must be understood not to speak from any personal point of view, but simply of English bankers with whom I have been associated in the course of my life; and in this description I should include the principal managers of the joint stock banks so far as I have the privilege of knowing them. Of course it is obvious that where there are few branches in a bank the profits are far greater as calculated by this statement, because the expenses are far smaller. This return which has been put in contains a statement as to 11 English banks, of which by far the greater part have but a small number of branches. One bank only among them, the National Provincial Bank, in the slightest degree approaches in magnitude any Scotch bank; that bank has 137 branches, and I observe that the per-centage of business profit shown by it, upon its cash deposits, amounts to 1 *l.* 9 *s.*, which is very close to that shown by the British Linen Company in Scotland. I therefore think that this statement has, as I say, such an error in its first statement that it cannot be taken in any degree as a reliable basis for this Committee to form an opinion upon. I should be extremely sorry in saying that, to convey to the Committee any idea, on my part, that the gentleman who drew up this statement in any degree intended to lay before the Committee anything that would cause them to form an incorrect judgment as to the position of banking in the two countries; but there is nothing more difficult, I may be allowed to state, from experience, than to draw up a statistical statement which will be absolutely fair. There is a probable error in every observer; and I take it that the probable

Sir *John Lubbock*—continued.

error in Mr. Gairdner's statement was this: that he expected to find out that English banking was far more profitable than Scotch banking, and he simply accepted the first returns that came to his notice. Mr. Moxon, a gentleman living at Stockport, whom I have not the pleasure of knowing at all, has drawn up a statement of a similar description, and I observe that he says, that upon capital and reserve, the country banks in England make 12⅝ per cent., the London banks 14½ per cent., and the Scotch banks 11⅓ per cent. I find, to give an instance of the working of particular banks, that the rate of net profit of the London and County Bank for last year on its working resources was 1 *l.* 4 *s.* 1 *d.*, while that of the Bank of Scotland, estimated in the same way, for as nearly the same period as I can state it, was 1 *l.* 7 *s.* 1 *d.*, and think this shows what indeed we might expect to find, that where banking businesses are conducted under similar circumstances, the profits are nearly similar. I think, therefore, that this statement gives no reliable information upon which the Committee can, in any sense, depend.

6126. Mr. Somers, in his book says, "Take away the right of issue, and the Scotch banks would either have to withdraw most of their branches in the rural districts, or to propose a lower interest and less promptitude of repayment to depositors." After the evidence which you have heard before this Committee, do you agree with Mr. Somers in his estimate as to the importance of the privileges enjoyed by the Scotch Banks?—I think that if they lost their right of issue, beyond question they would have to make a vast alteration in their business, which, I conclude, would also affect the interest which they allow to depositors.

Mr. *Anderson.*

6127. You said, in answer to the honourable Member for Maidstone, that you thought that it was unjust that Scotch banks should be allowed to come to do business in England; would your opinion go so far as to lead you to say, that those Scotch banks which are already established in England should be driven out?—The wisdom of Parliament has allowed them to come, and the wisdom of Parliament must decide that point; I think that in the face of Acts of Parliament so recently passed, it would be out of the question for me to express an opinion upon that point.

Mr. *Mulholland.*

6126. I think that you said that, in your opinion, the economy of the precious metals which would be derived from the circulation of 1 *l.* notes would be dearly purchased by reducing the stock of gold in the country?—Yes.

6129. Is it then your opinion that the proportion of paper circulation to the total stock of gold in the country has just arrived at the proper point under the present system of things?—I hardly know that I can answer that question in the affirmative; I think that a diminution of the gold circulation concurrently with an increase in the note circulation would be a very distinct disadvantage.

6130. The total unsecured circulation not represented by gold I think, according to your paper, is about 29,000,000 *l.*, and the stock of gold in the country you estimate at 110,000,000 *l.*, the proportion would be between 25 and 30 per cent.;

Mr. *Mulholland*—continued.

cent.; do you think that that is about the proportion which the uncovered paper circulation ought to bear to the stock of gold in the country?—That is a purely theoretic question upon which I can hardly give a practical answer that would be of any service to the Committee.

6131. The answer which you gave with respect to the advantages derived from the provincial banks having a right to issue was this: that where there was an exceptional demand for currency at certain periods of the year, they have the power to issue a given amount of paper without having gold opposite to it; and that therefore the strain upon the banking reserve in London was diminished?—Certainly.

6132. I see that the amount of their excess of issue in the months of October, during the average of the 10 years, is only 257,000 *l.*?—But the honourable Member must not exactly calculate it in that way. It depends upon the difference between the power of rise in any individual bank, from the lowest point to the highest point. I gave an instance of our own bank at Yarmouth. I may also mention the case of a bank in the north of England, where they annually meet the pay of a lead mine in the same manner. I have also before me the statement of a bank, in which the authorised issue in the course of 1874 was only 59,851 *l.*, but the lowest point which I have observed the issue of that bank was 44,339 *l.*, and the highest point was 86,020 *l.*, from which the honourable gentleman will see that there may be very large variations in the issue of an individual bank, which are apparently covered by a small aggregate rise.

6133. At the same time, the advantage which you have referred to is merely the advantage arising from the power to issue a further portion of paper money, unrepresented by gold?—It is the advantage, as I understand it, arising from the fact that those demands are not centralised on the Bank of England in the same manner.

6134. But it amounts to this: that by being centralised they would require to be met by an equal deposit of gold, and that not being centralised, the portion of the circulation to which you alluded would not require to be so covered?—I am not prepared to express any opinion except as to the particular manner in which those demands arise.

6135. Of course there is no such advantage in the case of those banks which are already up to their authorised issue?—Obviously not.

6136. I see that the excess of the issue of the provincial banks in the month of October for a ten years' average was 257,000 *l.*?—The ten years' average covers a great many variations.

6137. I find that in the Bank of England, in the month of November, the excess of issue above the average issue of the year is 4 per cent. upon the average issue, or about 900,000 *l.*; do you think that in a question referring to the circulation of the country 900,000 *l.*, more or less, ought to cause the fluctuations that you speak of in the rate of the bank, when, according to your Tables, the total exports and imports are 600,000,000 *l.* a year?—I think that, as a matter of fact, the manner in which the business of a country is centralised upon one individual reserve, has that effect; and what are apparently small effects may, nevertheless, produce large results in their working.

Mr. *Mulholland*—continued.

6138. Was it not the intention of the Act of 1844, that any increase of circulation should have an effect upon the rate of interest?—I really can scarcely answer as to the intentions of the framers of that Act.

6139. Do you not think that the fluctuations to which you have referred ought to be more attributed to the smallness of the banking reserves in proportion to the total banking transactions of the country?—That is a very large question, and, I think, I ought not to be asked as to any opinion respecting the reserve of the Bank of England, which I take it is included in the honourable gentleman's question.

6140. Is it not the case that in France they have, generally speaking, one source of issue?—The circumstances of the Bank of France are so widely different from those in England that it is scarcely possible to draw an advantageous parallel between the two countries; I believe that, as a matter of fact, there are one or two other banks of issue in France besides the Bank of France, but I have not absolute information upon that point.

6141. They have not the same fluctuations in the rate of interest in France that we have in England, have they?—I think I may reply that the state of business is so different that you can hardly draw any inference from that; but, as a matter of fact, I am aware that the fluctuations are not so extreme in France.

6142. The periodical pressure that you allude to from a demand for currency, would be the same, would it not, under a circulation altogether metallic?—I think that it might be.

6143. Do you find that the circulation, in your own bank, extends much beyond the districts?—No, it does not.

6144. Do you find that the notes which you issue exceptionally at certain periods, soon return to you again?—With very great rapidity; they meet the immediate want of the moment.

6145. Do you think that it would be desirable on the faith of the exceptional demand for Scotland, if the average were spread over a larger period for which the gold had to be kept?—I think that a longer average would be a great advantage, and probably an annual average will be sufficient to meet the wants of the case.

6146. And the same for the Irish banks?—Certainly.

6147. That would remove the suddenness and intensity of the pressure in those particular months, would it not?—It would beyond question tend to do so, but it is almost impossible to say how an arrangement not yet made may work.

6148. You have alluded to the peculiar value of the right of issue in Scotland under the Scotch system; that value is no greater, is it, than the value of the right of issue to those English banks which are already considerably under their authorised issue?—I think that it is far larger, because they are able to keep up to their authorised issue through their power of issuing 1 *l.* notes, and keeping exactly up to the limit, or exceeding it, through their power of issuing against gold.

6149. I merely alluded to the right of issuing against gold; in that respect are they better off than the English banks, which have already an amount of authorised issue in their till which they do not require to circulate?—I think that the fact that Scotch banks have the power to issue against gold gives them an advantage over

Mr. *Palgrave.*

28 June 1875.

Mr. *Palgrave*

28 June 1875.

Mr. *Mulholland*—continued.

English banks, and I think that it is impossible, in speaking of the Scotch banks, to separate the 1 *l.* notes from the rest of the circulation.

Mr. *Campbell-Bannerman.*

6150. Do you regard the case of an English bank desiring to open a branch in Scotland, and the case of a Scotch bank desiring to open a branch in London, as at all analogous?—Certainly not.

6151. Supposing that it was not only practically impossible, owing to a monopoly existing in Scotland, for an English bank to set up a branch in Scotland; but even supposing, to go further, that it was legislatively prohibited, would there be anything unfair in allowing a Scotch bank to come to London when such a burden was laid upon an English bank?—I think that it is beyond question that it would not be fair to allow to a Scotch bank privileges that were denied to an English bank.

6152. Do you consider the privilege to be the same of a Scotch bank to open a branch in London as of an English bank to open a branch in Scotland?—London opens so far wider a field that I think that the circumstances are scarcely comparable.

6153. And therefore it is no set-off against the Scotch banks being prohibited from coming to London to say that the English banks are unable to go to Scotland?—I think that the English banks are practically unable to go to Scotland.

6154. But it is not in their interest to go to Scotland in the same way that it is the interest of the Scotch banks to come to London?—I conclude that it is not from the fact that they have never gone.

6155. The business of England does not centre in Scotland in the same way that the business of Scotland centres in London does, so that there are peculiar reasons for the Scotch banks coming to London which do not exist in the case of a bank setting up a branch in any other part of the country?—Yes, I think that there are, but that has nothing to do with the question of the propriety of their doing so.

Sir *John Lubbock.*

6156. But still those differences do not modify the opinion which you have already expressed?—I assume these to be merely hypothetical questions which have no practical bearing upon the subject before the Committee.

Mr. *Backhouse.*

6157. On Thursday you answered as to the capital and deposit of joint stock banks in England; from inquiries which you have made confidentially, are you of opinion that the capitals and deposits of private banks have also increased in the last 30 years?—I believe that they have increased in about the same proportion.

6158. In answering the honourable Member for Glasgow, on the last occasion, with regard to the average amount of gold held by banks of issue against their notes, have you any further explanation to give?—On further consideration I think that the non-issuing bank would have to hold a larger proportion of gold than the issuing bank.

6159. Abstractedly the bank of issue without any other business, would have to hold a considerable amount of legal currency to meet its

Mr. *Backhouse*—continued.

notes, would it not?—If such a bank exists, beyond any question it would.

6160. But, practically, all banks of issue, having much larger business than their amount of issue, which is very small relatively to the rest of their business, they have not to hold either bank notes or gold specially against that issue?—Practically they hold the amounts that they do retain against their business generally.

6161. Banks of issue in this country hold a much larger amount both of gold and of Bank of England notes than the whole amount of their issues, do they not?—Beyond any question they do.

6162. Are the bank notes of the Bank of Prussia legal tender or not?—They are not a legal tender, nor the bank notes of the Bank of France under an ordinary state of things.

6163. Have you any knowledge of the banking system of Sweden?—The banking system of Sweden, respecting which I obtained information in that country some years ago, is so remarkable that I think that a few points in it may be mentioned with advantage. It is a system in some respects corresponding to that of Scotland; but it has one great advantage, that it is a self-contained system. It possesses a note circulation which has a very high credit, and which amounts to about 1 *l.* per head of the whole population. The main feature in the Swedish law points not to the security of the note circulation alone, but the security of those who deal with the banker in any form. The Swedish Banking Law owes its existence very largely to the exertions of Mr. Wallenberg, a very able banker in Stockholm, who is also a Member of the Upper Chamber of the Swedish Diet. The law, arranged on its present footing, was, as I understand, mainly through his exertions. I may mention that there is precisely the same tendency to amalgamation amongst the Swedish banks as there appears to exist among the Scotch banks. In 1872, according to statements which are published, with an exactness which exceeds that of any other country in the world with which I am acquainted, there were 41,250 accounts in Sweden, that is to say one to every 100 of the population. In 1875 the number of depositors had increased to 90,520, that is to say, to one in 44 of the population, and the amount of deposits of the banks which published the accounts in the published accounts of the banks had gone up in that interval of three years from 5,000,000 *l.* to 8,000,000 *l.* The Swedish Law appears to me to have some very useful points in it. One point in it is a matter which was endeavoured to be attained in this country through Mr. Leeman's Act, as to the transfer of shares in joint stock banks, which are completely controlled through an enactment, that no transfer of shares in the bank can take place except at a general meeting of the bank, and thus being sanctioned by the general body of the shareholders. (Section 5 of the Banking Law of Sweden.) The system seems to me to include most of the advantages of private partnerships and of joint stock associations; I think, therefore, it might be of use to the Committee if the banking law of Sweden were included in my my evidence. I can place it before them, either in the original language or in a translation, including the latest amendments, which reached me only a few weeks ago, as may be most convenient to them. I shall have much pleasure in including

it

Mr. *Backhouse*—continued.

it in my evidence if it is the wish of the Committee.

6164. Do you think that it would be possible to assimilate the banking law of England, Scotland, and Ireland?—I hardly see how it is possible to do so; it is absolutely impossible, as it appears to me, to allow the issue of 1 *l.* notes in England, and therefore I think that on that point we cannot ever look to the assimilation of the law of the three countries. As gold is the only legal tender in Scotland and Ireland, it appears to me that we might approach assimilation in one point if we made gold the only legal tender in the payment of provincial notes in England. In that sense I think that we might approach similarity. I think also that the power of amalgamation which has been extended, as it appears to me, with great advantage to Scotland, might be allowed in its fullest sense to England; that is to say, that any English bank should be permitted to part not only with the whole of its issue, but with any portion of its issue if it desired to do so. I think also that the license duties which have been shown to differ very widely in the two countries ought to be considered, and that they might be assimilated in further legislation upon this subject.

6165. Have you any information as to the amount of foreign bills floating in this country?—The amount of foreign bills floating in this country at any time it is difficult to ascertain; but I have endeavoured to ascertain the amount through an estimate formed upon the amount of stamps issued. It appears to me that the estimated amount of foreign bills drawn in this country or foreign countries, is about 60,000,000 *l.* in a year. I cannot help thinking that it might be desirable if arrangements were made for holding

Mr. *Backhouse*—continued.

bills in this country, upon the principal of foreign centres of exchange. At this time, as I understand it, the practice is that all foreign bills in London are sold twice a week, upon Tuesdays and Fridays. Between those days, from the best information which I can obtain, there are scarcely any foreign bills floating in London. I think it is very desirable that a larger amount of those bills should be held in this country, but I scarcely see how it would be possible to arrange for it through any legislative enactment.

6166. The honourable Member for Bodmin asked you whether the Governor and Directors of the Bank of England would not take into consideration the source from which any reduction of their bullion arose; is it not the case that the Act of 1844 was intended to take away the discretion of the Directors, and rather to compel them to raise or reduce the rate of interest in accordance with the reserve without regard to the quarter from which the demand came?—I have no knowledge whatever as to the practice of the Directors of the Bank of England; but it appears to me that in the alterations in the rate of discount they are governed by the proportion of their reserve to their liabilities actually at the moment, and so far as anyone outside the Bank of England can ascertain, by no other cause whatever.

6167. You were also asked about the publication of accounts; is it not the case that the public can learn very little of the real position of any bank from a mere published statement of their accounts, which gives no clue to the value of their assets or to their general position?—Published accounts really give a very limited amount of information to the shareholders.

Mr. *Palgrave.*

28 June 1875.

Thursday, 1st July 1875.

MEMBERS PRESENT:

Mr. Anderson.	Mr. Leveson Gower.
Mr. Backhouse.	Mr. Kavanagh.
Mr. Balfour.	Mr. Sampson Lloyd.
Mr. Campbell-Bannerman.	Sir John Lubbock.
Mr. Stephen Cave.	Sir Graham Montgomery.
Mr. Chancellor of the Exchequer.	Mr. Mulholland.
Mr. Beckett Denison.	Mr. Mundella.
Mr. Orr Ewing.	Mr. William Shaw.
Mr. Goschen.	Mr. Hussey Vivian.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. ROBERT HARRY INGLIS PALGRAVE, re-called; and further Examined.

Mr. *Palgrave.*

1 July 1875.

Chairman.

6168. I THINK that you wish to make one or two corrections in your evidence?—I wish to make two corrections in my evidence, and I therefore desire to be allowed to make them before the Committee. The Question No. 5800 is this: "Can you not give the Committee information as to how many partners you have in each of your concerns;" and I have answered, "I can put in a statement which will show that, but I have not yet prepared it." I desire to be allowed to reply instead of that, that the names are returned annually to the Stamp Office, which is an official publication of them. With regard to Question 6125, I said this towards the close of my answer: "I have also another statement made upon similar principles to Mr. Gairdner's." That is a general statement. I think that a particular statement will be of more use to the Committee, and I have, therefore, prepared the following statement: I find, to give an instance of the working of a particular bank, that the rate of net profit of the London and County Bank for the last year, on its working resources, was 1*l.* 4*s.* 1*d.* per cent., while that of the Bank of Scotland, estimated in the same way, for as nearly the same period as I can state it, was 1*l.* 7*s.* 1*d.* per cent.; and I think this shows what indeed we might expect to find, that where banking businesses are conducted under nearly similar circumstances, the profits are nearly similar. That statement will convey to the Committee a more correct idea than the other of my view of the case, and, therefore, I desire to substitute it for the one which I have given.

Chairman—continued.

Mr. *Sampson Lloyd.*

6169. May I ask upon that whether the question of paid-up capital has been taken into account or not?—That stands upon the paid-up capital alone, and not upon estimated capital as I understand it. I have not put in any statement with regard to interest on capital, nor as to any deduction of expenses whatever.

Chairman.

6170. The Committee have to thank you for the valuable evidence which you have given?—I have been very glad if my evidence has been of any service to the Committee. With regard to the immediate cause of the inquiry which has arisen before the Committee, my desire has been so to frame my conduct (whether I have been successful or not) as to endeavour not to exasperate the existing contention, but rather to seek to compose it.

Mr. JOHN DUN, called in; and Examined.

Mr. *Dun.*

Sir *John Lubbock.*

6171. I THINK that you are the General Manager of Parr's Banking Company, are you not?—Yes.

6172. Is that a bank of issue?—It is not a bank of issue.

6173. How many branches have you?—We have 11 daily branches, and six sub-branches, which are open either one, two, or three days a week, as the case may be.

6174. Do you approve generally of the policy of Mr. Goschen's Bill?—I do, most certainly.

Sir *John Lubbock*—continued.

6175. You consider that either the English banks ought to be placed upon the same footing as the Scotch banks or that the special privileges of the Scotch banks ought to be withdrawn, or if neither of those lines can be taken, that then the Scotch banks ought to confine themselves within their own area; is that the general view which you take?—Most distinctly.

6176. On what do you mainly found your objections to the Scotch banks coming to England?—In a great measure upon what I may venture to style

Sir *John Lubbock*—continued.

style the historical argument. I think that the dealings of the Legislature with banking in England and banking in Scotland have proceeded upon such widely divergent principles, and have, in fact, produced such widely divergent results, that it seems to be unjust to English bankers to allow the two systems to come into competition without an assimilation of the principles upon which they are dealt with by law.

6177. Will you explain that a little more fully to the Committee?—In Scotland, from 1716 to 1844, banking included the power of issue of 1 *l.* notes, and was entirely unfettered by law. This freedom fostered the growth of a few large joint stock banks, and upon these, 19 in number at that time, the legislation of 1845 conferred a monopoly of issue which has practically resulted in a monopoly of banking in Scotland. No monopoly of banking exists in any other division of the United Kingdom. The Act of 1845, whilst restricting the credit issues of the Scotch banks, did not interfere with their 1 *l.* notes, and gave them the most valuable privilege of unlimited issue against coin. Since 1845 the Scotch monopoly has become closer by the reduction of the number of banks to 11. In England, on the other hand, banking interests have been dealt with in an entirely different spirit. Up to 1826 so strictly was the unfortunate monopoly of the Bank of England upheld that no strong and healthy development of banking was possible. No joint stock banks could be established, and none but private banks, with not more than six partners, were permitted. This kept the banking of England essentially local and weak, whilst the banking of Scotland, under its system of freedom, was gradually becoming national and strong. In 1826 joint stock banks with the power of issue were for the first time legalised in England, but only under certain restrictions, which, however, were somewhat relaxed in 1833. At the same time, however, in 1826, notes under 5 *l.* were abolished in England. In 1844 Sir Robert Peel's Act forbade the establishment of any new bank of issue in England, but preserved the privilege of issue to those which already had it, absolutely limiting the amount, however, in each case, to the average sum in circulation during the previous 12 weeks. The privileges of English issuing banks are insignificant in comparison with the unlimited power of issue of the Scotch banks, including the 1 *l.* notes.

6178. Do you consider that we have more real competition in banking in England than there is in Scotland?—The banks in England are more numerous than the banks in Scotland; I can only speak for our own district, and we feel the competition to be very keen.

6179. And competition being so keen, anything which gave one set of banks an advantage over others, would place the one set of banks at a great disadvantage as compared with the other set of banks, would it not?—Certainly. The Scotch banks have the advantage of collecting an enormous amount of deposits through their 1 *l.* note circulation, which has enabled them to extend their branches over the length and breadth of the country; and with those deposits so collected by means of their legislative privileges they would come into England and compete with ourselves who have not such privileges, and cannot in such manner collect such deposits.

6180. In consequence also of the competition in England, I believe it is possible to collect cheques all over England, payable in London, through the country clearing, free of any charge, is it not?—That is so; there is no charge made to the English banks in accounting to one another for the proceeds of the cheques. Scotch banks in England can collect Scotch cheques and bills free of charge, whilst English banks cannot do so.

Sir *John Lubbock*—continued.

Mr. *Dun.*

1 July 1875.

6181. If one bank had to pay a charge upon all such cheques, and another bank was free from such charge, the bank which had to pay such charges would be placed at considerable disadvantage in the conduct of its daily business, would it not?—Clearly.

6182. *Ceteris paribus*, customers would of course go to the bank which could collect their cheques and bills free of any charge?—That is so.

6183. Reference has been made to the case of insurance offices, many of which have offices both in England and Scotland; do you consider that the competition between the English and Scotch insurance offices is of the same character as that between English and Scotch banks?—Certainly not, because in both countries the business of insurance is carried on under precisely the same legislative conditions. If the insurance companies in Scotland had special privileges in regard to their business in Scotland, there would be the same good case, I conceive, against their extension to England that there is now against Scotch banks coming south of the Tweed.

6184. You consider, in fact, that the legislative privileges of the Scotch banks give them, practically, a monopoly of Scotch banking?—There could not be the least doubt of it.

6185. And having that monopoly at home, you think that it is not fair that they should claim the advantages of free trade abroad?—I think not; I think that their position is very much as it was stated by the Right honourable Chairman. He told them that their position was this, "What is yours is mine, and what is mine is my own."

6186. Having such great advantages, if they come and do business in England, do you not think that the tendency of it would be rather to diminish competition in the long run than to increase it?—I do not see how it would diminish the competition in the long run. Monopoly always does diminish competition somehow or other, and competition has certainly diminished in the case of the Scotch banks at home.

6187. And it is probable, is it not, that what has been always the case elsewhere will be the case here, that the monopoly will not be for the advantage of the public?—I think that monopolies never are for the advantage of the public.

6188. We have had statements as to the charges of the Scotch banks; do you know whether there has been any change in those charges since 1844?—I should, perhaps, explain to the Committee that previously to coming to the management of the bank with which I am now connected, in 1865, I had been for 14 or 15 years in the Bank of Scotland. I cannot, of course, speak, except from recollection, upon the point which the honourable Member has named; but my recollection is very distinct upon this point, that formerly there was no distinction in the rate of interest allowed by the Scotch banks; they did not adopt, until comparatively recent times,

Mr. *Dun.*

1 July 1875.

Sir *John Lubbock*—continued.

times, the system of giving a low rate upon the minimum monthly balances, or giving a lower rate upon the daily balances of current accounts, than they did upon deposit receipts, so far as my recollection serves me; but upon the first point I am quite clear, that the rate of one per cent. which, I believe, they now apply to the minimum monthly balances, was unknown when I entered upon banking in Scotland. In fact, they gave the ordinary deposit rate upon current account balances.

6189. Then, in fact, as the number of Scotch banks has diminished, so to a certain extent have the advantages which they have offered to the public also diminished?—Yes, certainly; and there may be another reason for their diminution of liberality with regard to their customers, and that is the enormous extension of branches which has taken place in Scotland during the last 20 years. The number of branches in Scotland has enormously increased.

6190. And as they all agree upon their charges, although there is considerable competition for obtaining accounts, there is no real competition in the matter of charges?—Not if all the banks keep faith with one another, as I believe substantially they do.

6191. Is it not quite clear that if the English banks had the advantage which the Scotch banks enjoy, they would be able to do their business upon somewhat more favourable terms to the public than is now possible?—If the honourable gentleman means in reference to circulation, I say, yes, clearly.

6192. Do you agree with the estimate which has been put in by other witnesses, that if we had the same legislative privileges in England as they have in Scotland, it would be equivalent to an issue of something like 30,000,000 *l.* more notes, which, of course, would in the first instance give a very large amount of interest, and thereby enable banks to diminish their other charges to the public?—Yes, I quite agree with that estimate.

6193. Then, in any comparison which is made as between the charges of the English banks and those of the Scotch banks, even assuming for a moment that the charges of the English banks were somewhat heavier than those of the Scotch banks, you would consider that as only natural, looking at the great advantages which the Scotch banks enjoy?—Certainly.

6194. You would consider then that the paper which has been put in by Mr. Gairdner, with reference to the relative advantages of the Scotch and English banks, is quite fallacious?—I consider that Mr. Gairdner's estimate is quite fallacious and, in fact, absurd; as I understand Mr. Gairdner's statement, his estimate is that 1,000,000 *l.* per annum would be saved to the public in England, if the Scotch system of charges were introduced.

6195. And the calculation made up in that way, you consider to be entirely fallacious and misleading?—Yes; he deducted from the net profits earned by the Scotch banks 4 per cent., as accruing from capital and reserves, and calculating what per-centage the balance bore to the money lodged, he said, That is the profit that we make upon our money lodged. By the same process he showed, in the case of 21 English banks, that they made a larger amount of profit on their money lodged; and multiplying the

Sir *John Lubbock*—continued.

difference by the assumed amount of the English provincial banks' deposits, he brought out his result of 1,125,000 *l.*; he quite omitted, however, to take into his calculation a very essential point, viz., the amount of the charge, which, in the case of the English provincial banks, are considerably smaller than in the case of the Scotch banks. The Scotch banks' charges were stated in evidence as 1 *l.* 1 *s.* per cent.; I have taken the average of 13 leading English provincial banks, and I find it to be 19 *s.* per cent. The difference in the favour of the English banks would give 2 *s.* per cent., which multiplied by 200,000,000, disposes of 200,000 *l.* of Mr. Gairdner's 1,000,000 *l.*; then again, in another point, I think that his estimate is fallacious. The ratio per cent. of proprietors' funds to liabilities to the public, is much greater in the case of the English provincial banks than it is in the case of the Scotch banks. I have extracted the ratio of proprietors' funds to the total liabilities to the public, in the case of 41 of the English provincial banks which publish their balance-sheets, and I find that the average ratio is 27½ per cent.; that is to say, the capital reserve fund and undivided profit, compared to the liabilities to the public, amounts to 27½ per cent. in the case of 41 English provincial banks. In the case of the Scotch banks the similar average is 15 per cent.; if we assume that the banks earn a net profit of 2 per cent. upon their total resources, with proprietors' funds of 27½ per cent. of the total liabilities, the calculation would be as follows: Proprietors' funds, 2,750,000 *l.*; money lodged, 10,000,000 *l.*; total resources, 12,750,000 *l.*; net profit at 2 per cent., 255,000 *l.*; less 4 per cent. upon the capital and proprietors' funds, 110,000 *l.*; leaving 145,000 *l.*; which would show an apparent profit on deposits of 1 *l.* 9 *s.* per cent. But with proprietors' funds at 15 per cent. of the total liabilities, assuming the proprietors' funds as 1,500,000 *l.*, the money lodged as 10,000,000 *l.*; total resources, 11,500,000 *l.*; the net profit at 2 per cent. being 230,000 *l.*, less 4 per cent. upon 1,500,000 *l.*, which would be 60,000 *l.*, the profit on deposits would be 170,000 *l.*, or 1 *l.* 14 *s.* per cent. The difference between those two calculations is 5 *s.* per cent., which would, on Mr. Gairdner's supposition of 200,000,000 *l.* of money lodged in the country banks amount to 500,000 *l.*, then there is one other point that I think I ought to state. If the proprietors' funds realise more than 4 per cent., the deduction of 4 per cent. will, of course, leave a larger amount of apparent profit upon the money lodged, and if the proprietors' funds realise less than 4 per cent., the deduction of 4 per cent. will leave less apparent profit on the money lodged. This is a very important point, and I may illustrate it in this way: that on the basis of Mr. Gairdner's estimate, Parr's Banking Company appears to earn upon its deposits no less a sum than 1 *l.* 18 *s.* 1 *d.* per cent.; whilst our friends and neighbours, the Manchester and Liverpool District Bank, earn 1 *l.* 3 *s.* 4 *d.* So that there would be a difference in the case of two banks carrying on business in almost exactly the same locality, of 14 *s.* 9 *d.* per cent. Our charges to the public are not higher than those of the District Bank. I believe that we allow quite as good a rate to our customers. Our capital and reserve fund are a trifle higher relatively to our liabilities than theirs. Ours are

13 per

Sir *John Lubbock*—continued.

13 per cent. against their 11¾ per cent., but I think that the difference arises from the profit which is earned upon the surplus funds employed outside the advance business of the bank. Our surplus funds are very large, amounting to 48 per cent. of our liabilities; and the District Bank's surplus funds amount to 33 per cent. of their liabilities; and I believe that the difference in the apparent profits upon the deposits is the result of the different manner in which the surplus funds are invested. From all these circumstances I should say distinctly that Mr. Gairdner's basis of comparison, as a test of what the charges are on the part of banks to the public, is utterly misleading and fallacious.

6196. Then again, in large commercial centres, the transactions upon accounts are, generally speaking, much larger in proportion to the balance kept, are they not, than they would be in agricultural districts where trade is less active?—Yes, necessarily so.

6197. And, of course, as a considerable part of a business of a banker consists in keeping the accounts of his customers, the charges, therefore, do not depend at all upon the amount of the deposits?—That is so.

6198. Upon a very heavy commercial account, even whether there is a balance or not, of course the banker must be repaid for the trouble of keeping the account, and consequently the amount of profit to the banker, even though the charges may be less onerous, may seem to be larger, if the commercial transactions which pass through the bank are larger in the one case than they are in the other?—That would be so, certainly.

6199. That would be another element which Mr. Gairdner has not taken into consideration in his estimate, would it not?—It would.

6200. But even taking the estimate as it stands, if the English banks had corresponding privileges to the Scotch banks, they would get the interest upon 30,000,000 *l.* of notes, which would be larger even, would it not, than the amount given by Mr. Gairdner's paper?—Yes; I think that the saving to the public of England, if the privileges which are possessed by the Scotch banks were given to the English banks, would very much exceed the estimate which Mr. Gairdner has put down; but that was not the basis of Mr. Gairdner's calculation, as I understood it.

6201. But it must also be taken into consideration in any fair comparison between the two systems, must it not?—Clearly.

6202. You have already referred to the diminution in the number of Scotch banks since 1844; are there any other points in which the features of Scotch banking have materially altered during the period which has elasped since that date?—The capital of the Scotch banks in 1845 considerably exceeded 11,000,000 *l.* I have not the precise figures, but my impression is that they have been given in evidence in this inquiry. Their capital is now, I believe, 9,600,000 *l.*, showing a considerable reduction. In 1845 the deposits of the Scotch banks were estimated at under 35,000,000 *l.*; now they are 80,500,000 *l.* In 1845 the circulation of the Scotch banks was 3,000,000 *l.*; now it is 6,000,000 *l.* In 1845 the acceptances of the Scotch banks were practically nil; in 1873 they were fully 6,000,000 *l.*; now they exceed 5,000,000 *l.* In 1845 the paid-up capital of the Scotch banks amounted to quite

Sir *John Lubbock*—continued.

30 per cent. of their liabilities to the public; now the paid-up capital and the reserve funds together amount to only 15 per cent. of their liabilities to the public. Not only have the liabilities of the Scotch banks in proportion to their own resources very largely increased, but some of them have entered upon the unlimited business of banking south of the Tweed.

6203. Do you know whether the majority of the Scotch banks approve of the Clydesdale Bank coming south of the Tweed?—I believe that I am guilty of no breach of confidence in saying that, when the Scotch banks were good enough to meet the committee of English country banks, of which I am a member, the other Scotch banks expressed very strong disapproval of the course which the Clydesdale Bank had taken in intruding into Cumberland; and they used all their influence with that bank, unfortunately without success, to induce it to withdraw from the position which it had taken up. In justice to the Scotch banks, I should add that whilst disapproving of the action of the Clydesdale Bank, they did not, of course, express any opinion as to the legality of the step which that bank had taken.

6204. Do you think that the fact of the Scotch banks coming to England will lead to an increased circulation of Scotch notes in this country?—I think it is calculated to do so, because, given the presence of the notes, I think they will circulate in a district where they can be turned into gold on presentation.

6205. It has been stated by an honourable member of this Committee that one of the reasons which render it desirable that the Scotch banks should be allowed to come to London is because it will give them greater facilities in accepting drafts drawn from various foreign countries; do you think that it is an advantage that the banks which are responsible for the note issue of the country should largely engage in the business of accepting under foreign credits?—Not largely; I think it should be kept within limits.

6206. Are you aware that under the new German law banks of issue in Germany are absolutely restricted from accepting bills?—I have observed that, in the statement of the German law which recently appeared in the "Economist" and elsewhere.

6207. Although you are not prepared to go quite so far as that, you think that anything which encouraged large acceptance accounts in banks of issue would be undesirable?—I should think so.

6208. I believe that it has always been the policy of the Bank of England to keep its acceptances within very moderate limits, has it not?—I cannot, of course, speak as to the policy of the Bank of England, but we do not see its acceptances, and we do not hear of its acceptances being beyond a very trifling amount. The returns do not show anything of the kind.

6209. In the Bank of England periodical returns the acceptances are given, and they are never of a very large amount, are they?—They are very infinitesimal as compared with the other liabilities.

6210. On the whole you think that so far from its being desirable that Scotch banks should come to London in order to engage in the business of acceptance, that is a positive drawback instead of an advantage?—I should not like to

Mr. *Dun.*

1 July 1875.

Mr. *Dun.*

1 July 1875.

Sir *John Lubbock*—continued.

insinuate that the Scotch banks have as yet carried the practice of accepting to any excess. I do not think that they have; but if they are in London, they are in the position of having that sort of business to do to a very much greater extent than they have in Scotland, and the tendency might be to carry it to excess.

6211. I did not intend in the least myself to imply any condemnation of anything that has hitherto been done by the Scotch banks in that respect; I only wish, as it has been given as one of the reasons which render it so desirable that Scotch banks should come to London, to ask you whether in your opinion it is desirable that the business of accepting largely against foreign credits should be encouraged in banks which are banks of issue; I think I gather that, in your opinion, it is not desirable that that business should be largely entered into?—It is not desirable, in my opinion.

6212. The Scotch banks have put in evidence a paper showing their charges: is it your impression that the system which they adopt of making a large number of small charges is one which would be suitable or popular in this country?—The Scotch bank system is to make charges on transactions as they arise, and those charges were, in my experience of Scotch banking, and I believe are still, paid by the customer, across the counter. That is a mode of levying charges which I am perfectly satisfied would be quite intolerable to the customers of English banks; I mean those having bank accounts. Of course, if a customer comes into a bank office, and wishes simply to make a remittance, and has no banking account, he pays the charge across the counter, and the matter is done with, in the same way as if he went to the post office to make a remittance; but when a man has an account with a bank he expects to have it done for him, and not to be bothered about the paltry little sixpence, or half-a-crown, or whatever it may be, that is charged for the transaction. In Scotland they make all those charges at the time; and as it has always seemed to me that those charges must entail on the part both of the banks, and what is of still more importance, of the customer, a number of small entries which are productive of considerable loss of time, I think that the system is irksome, whereas in England our system of charging is, upon the whole turn over of the half-year; and I feel quite convinced that our customers would rather pay a little more at the end of each half-year than be subject to the perpetual worry of having to bring sixpence, or half-a-crown, or whatever it might be, to pay the charges across the counter. There is less friction, in fact, in the English system.

6213. On very active accounts the number of entries which those small charges would involve would create a very considerable and unnecessary amount of book-keeping, both on the part of the bank and on the part of the customer, would they not?—That is decidedly so.

6214. Now that the question has arisen, are there any alterations in the conditions of the note issue of Scotland which you would advocate?—The monopoly of issue in Scotland is a thing which cannot be defended on principle. It arose because of Sir Robert Peel's anxiety to apply his pet principle to Scotland, as far as he possibly could; but I think that the monopoly ought to be cut down. There seems to be no reason why

Sir *John Lubbock*—continued.

the whole of the banking in Scotland should be handed over to 11 banks. And then there is another point which is unjust, and that is the diversity of privileges as between the banks themselves; two banks of equal magnitude have very different privileges as regards their authorrised issues, simply and solely because the one happened to be a small bank at the time that Sir Robert Peel put his iron hand upon the issues of the Scotch banks, and the other happened to have reached its full development.

6215. You consider, in fact, that the Scotch privileges give the eleven existing Scotch banks a monopoly of the banking of Scotland?—There is no doubt about that, because no bank of non-issue could live in Scotland.

6216. And you think, as a general principle, that any monopoly of that kind is contrary to the public interests?—Quite so.

Mr. *Sampson Lloyd.*

6217. Do you approve of the present system of letting the issue of legal tender notes rest with a bank like the Bank of England, which is also a joint stock bank, making or attempting to make profits for its stockholders?—I think that the combination of banking, with the power of legal tender issue, has been productive of very serious disadvantages in England; in fact, the Bank of England has two duties to perform, one is to make a good dividend for its shareholders, which is the duty of every joint stock bank, and the other is a duty which devolves upon it in consequence of its being the sole source or fountain of legal tender issue, and that is the maintenance of the sole bullion reserve to support the entire banking, financial, and exchange operations of this great commercial country.

6218. In addition to the functions which you have described, may not the Bank of England be considered as a joint stock bank trading company interested in securing for its shareholders the best possible dividends that it honestly can?—I have said so, and I clearly think so.

6219. I think that you have said that the Bank of England keeps the sole ultimate cash reserve of the entire banking exchange and financial transactions of, one may say, the three kingdoms?—That is so.

6220. Do you remember what that reserve now amounts to?—According to the last published return, I think it was 13,000,000 *l.*

6221. What would you consider would be a fair estimate for the entire banking liabilities of the United Kingdom, letting alone other commercial liabilities?—Any estimate which I might give to this Committee must, of course, be taken simply for what it is worth, but I calculate that the entire banking liabilities of the kingdom amount to about 700,000,000 *l.* My calculation is based upon the following figures: In 1873 the 50 joint stock provincial banks who published statements, held quite 100,000,000 *l.*; I calculated that the 50 joint stock banks who did not publish statements might hold 75,000,000 *l.*; the London joint stock banks and the discount houses, deducting the deposits that come into them from the country banks, might I thought hold 100,000,000 *l.*; the London private banks I have set down at 75,000,000 *l.*; then there are the country private banks, 75,000,000 *l.*; I have estimated the Irish banks at 50,000,000 *l.*; they do not all publish their returns; the Scotch bank

Mr. *Sampson Lloyd*—continued.

bank returns we know are 80,000,000 *l.*; the Bank of England is 30,000,000 *l.*; and if you add the circulation of the country, 42,000,000 *l.*, and say for the foreign and colonial banks something like 75,000,000 *l.*, that brings a total of 700,000,000 *l.*

6222. What per-centage do you estimate that the reserve of the Bank of England bears to those entire banking liabilities of the kingdom?—It would be under two per cent.

Mr. *William Shaw.*

6223. You mean the gold reserve?—I mean the reserve of the Bank of England; the reserve of notes which, of course, is equal to the reserve of bullion.

Mr. *Sampson Lloyd.*

6224. All that amount of liabilities at all times, but especially in times of pressure, rests, does it not, upon that one cash reserve which you have described?—Yes; and it seems to me that our panics, when they do occur, are either partly caused, or to put it as mildly as possible, seriously aggravated by the insufficiency of the reserve.

6225. Used it not to be held in commercial circles, some years ago, and is it not stated in the works of several authors of repute on banking, that the Bank reserve ought to amount to one-third of the Bank's liabilities to the public?—The Bank's reserve generally exceeds one-third of the Bank's liabilities to the public; but when it is considered that the Bank has to bear, or is supposed to bear, a burden very much greater than is measured by its own actual liabilities, the insufficiency of the reserve becomes apparent.

6226. Have not the transactions of the world, and especially of this country, so largely increased since the Act of 1844-45 was passed, that what may have been an adequate reserve at that time is strikingly inadequate, by comparison, to the pressure which may be brought to bear upon it by those increased commercial transactions?—If we take the banking liabilities of this country, and the commercial transactions of this country, I should think that, speaking roughly, they are trebled or quadrupled since 1844; and they ought, certainly, to be supported by a very much larger basis of bullion than they are.

6227. Do you think that the Bank of England, in the duplex position which you have stated that it fills, viz., that of the source of issue of legal tender money, and at the same time that of a trading joint stock company, having dividends to make, can be reasonably expected to keep an adequate legal tender reserve for the London private and joint stock banks, and for the other liabilities which ultimately bear upon that reserve?—No; the London banks, and the other banks in the country, ought certainly to bear the burden of keeping the cash reserves which are necessary for the support of the business which they do, and from which they derive a profit. The Bank of England, as it seems to me, should be relieved of even the appearance of having to perform such a duty as to keep reserves for all the bankers of the country.

6228. Can you suggest to the Committee any plan by which you would effect the desideratum of a larger reserve being kept, consistently with justice to the Bank of England?—There are various ways, of course, in which that might be done; but it has occurred to me that, as it was stated by Sir Robert Peel, that the issue department of the Bank of England was a mere automaton, that the Directors of the Bank had no control whatever over it; and that although the issue department remained under the roof of the Bank of England, it really was, practically, a State department; the best way would, perhaps, be to transfer the issues formally to a State department.

Mr. *Sampson Lloyd*—continued.

6229. Can you describe to the Committee what difference in practical effect would result from the substitution of a State department of issue, say the Mint or some department quite separate from the Bank of England, as compared with the present separation of two departments within one establishment which is provided by the law?—The Bank of England ceasing to be the source of legal tender, issue would naturally cease to be in the same degree in which it is at present, the bank of the bankers; and I would suggest that the bankers should keep their cash reserves with the Government department of issue, that the Government department of issue, in addition to being a counterpart of the present issue department, should also hold the bankers' balances. If I may explain further, I would say that a bank in London, or in the country, might take bullion to the issue department of the State, and lodge it there without drawing notes against it, but having the notes reckoned to its credit; if it brought notes it might have those notes registered to its credit; in fact, that in addition to being an issue department, this State department should also be a bank of deposit, upon the same footing as the bank of Hamburgh, and other banks of deposit, of which we have all read.

6230. When you speak of the notes being reckoned to its credit would you include such notes in the published circulation of the bank; would you consider that the bank had issued those notes?—I should.

6231. Then that would *pro tanto* diminish the amount of notes in circulation to the general public?—The notes which were held by the bankers in reserve would be part of the issue of the Government department, and would appear separately to the credit of the banks that had redeposited them in a separate return.

6232. So that in your view, if I apprehend your answer rightly, the practical operation, so far as the public is concerned, would not be materially to diminish the amount of notes which they held, because part of the circulation now is held by the other bankers in their reserves of notes?—There would be no diminution; on the contrary there might, and I think there would be, an increase, because the tendency would be to hold larger reserves on the part of the banking of the country.

6233. I gather from your answer that you think that the combination in the Bank of England of the duty of providing legal tender issue with the ordinary business of banking is an entire mistake, and ought to be altered?—I think so.

6234. Can you explain to the Committee why, in your opinion, so small a reserve as you have described is kept by the Bank of England?—It is simply in consequence of the Bank of England having the duty to perform of making a dividend for its shareholders.

6235. When a time of pressure comes on, which by our experience appears to happen every 10 or 15 years, have we not seen that the

Mr. *Dun.*

1 July 1875.

Mr. *Sampson Lloyd*—continued.

the bank has been obliged to get the Government to sanction the suspension of the Act of 1844?—Yes, that has occurred three times; in 1847, 1857, and 1866.

6236. If, in your opinion, the keeping of so small a reserve is inconsistent with the proper functions of a State issue, as regards safety, does it not come to this: that the bank, in its public capacity, has to be supported occasionally by the Government against the consequences of the bank's own mis-management in its private capacity?—That is the natural deduction. I think that the bank knows from experience the nature of the pulls that will be made upon it in time of pressure, and it does not maintain a sufficient reserve of notes in order to meet those demands; and if the Government comes forward and assists it with a suspension of the Act, it seems to me that it can bear no other interpretation than simply a loan, as it were, from the Government to the bank, for the purpose of supporting it through a financial difficulty.

6237. Is it not the fact that when those periods of crisis recur, bearing as they do very high interest, such periods are a source of increased profit to the bank, on account of the higher rates of discount at which they can employ their resources?—I have no doubt of that, because they do not only employ at high rates the additional issues which are accorded to them by the violation of the law, but they re-invest their own resources, so far as they can, at that additionally high rate.

6238. Then, in order to increase their profits, the directors habitually keep a reserve which you think is too low for the general requirements of the State and of the public?—I should be very sorry to make the insinuation that the directors of the Bank of England knowingly, in order to take advantage of periods of pressure, keep too small a reserve; I do not think they do that; but the effect is very much as if they did; I am quite sure that they do not do it knowingly, but I think that is the practical effect of it.

6239. I did not intend to imply by my question that there was imprudence in the management of the Bank of England other than that which is necessitated by their duplex position which you have described; but is it not a necessary consequence of this duplex duty which they have to perform, that they have to keep an unduly low reserve, and that that state of things brings on at the same time a state of things by which the Bank make increased profits?—That is so.

6240. What do you understand, so far as you can tell, was probably Sir Robert Peel's policy as regards private issues when the Act of 1844 was passed; do you think his intention was to abolish them ultimately, or that he intended to give the present issuers a vested right which would last indefinitely?—He, I believe, avowed that he intended to pave the way for a power of issue restricted to a State bank or the State itself.

6241. Do you think that it would be a desirable thing that there should be only one bank of issue, or would you prefer a privilege of issue of some kind being distributed through various hands?—I think that a State bank, as a sole source of issue, would be a mistake. A State bank as a sole source of legal tender issue I should conceive to be perfectly sound and proper.

6242. You have stated that you think that issues by a number of issuing bodies are preferable to issues conducted by one State bank alone. If that was the case, what do you suppose was Sir Robert Peel's objection to private issues, to the issues which existed at the time of the present Act being passed?—He stated those objections distinctly in introducing his measure; and, as I understand his objections, they were that notes were over issued, that they became depreciated, that they caused inflation of prices, and that they produced speculation which ultimately led to crisis and collapse.

6243. Is it your opinion that those apprehensions were well founded, or the reverse?—I think those apprehensions were not well founded. I conceive that the over issue of notes payable in gold on demand is a physical impossibility. So long as notes are payable on demand there cannot be any depreciation in their value. The public take, and they keep out such a quantity of notes as serves their purpose for making their minor daily payments, and no more; and the quantity of notes in circulation has no causative effect whatever on prices. The quantity of convertible notes in circulation will never inflate prices; but high prices, on the other hand, will naturally necessitate an increased circulation of notes.

6244. If you had not a circulation of notes in which those high prices could be represented, would not the public necessarily avail themselves of some other form of credit, such as cheques, so that the diminution of notes does not necessarily, *pro tanto*, diminish the amount of paper credit afloat?—That is so.

6245. Might there not have been another reason in Sir Robert Peel's mind, judging from his speech, viz., the weakness of some of the banks, in his opinion, which at that time were intrusted with the power of issue?—There, no doubt, was a weakness, but that weakness was caused by the legislation in England having guarded the monopoly of the Bank of England, and so driven banking at that time into very weak hands.

6246. In point of fact, you would consider, I suppose, that the policy of limiting banks to six partners, tended directly, other things being equal, to the issue being placed in comparatively weak hands?—There cannot be a doubt of that, I think.

6247. Is the issue now, in your opinion, as weak as it was in 1844?—By no means.

6248. Have not a large number of the banks existing at that time, which might then possibly be considered more or less weak, either lapsed or passed into the hands of undoubtedly strong banks?—Yes, that is so.

6249. Do you remember what amount of issues have lapsed in England since 1844?—I have before me a view of lapsed issues bringing the figures down to the end of 1874, and the total amount lapsed is 2,125,488 *l.*

6250. Out of what total existing in 1844?—The amount in 1844, I think, was 8,000,000 *l.* in round numbers.

6251. So that one-fourth of the issues then existing in England have since lapsed, from one cause or other?—That is so in round numbers.

6252. Can you tell the Committee the causes why those issues have lapsed?—Thirty-one private banks with an authorised issue of 532,581 *l.*, and two joint stock banks with authorised issues of 48,101 *l.*, became bankrupt or stopped payment;

Mr. *Sampson Lloyd*—continued.

ment; the total issue of those 33 banks being 580,682 *l.* Ten private banks with an authorised issue of 84,741 *l.*, and seven joint stock banks with an authorised issue of 169,589 *l.*, closed or dissolved; making together from that source 17 banks with an authorised issue of 254,330 *l.* Then 12 private banks, having an authorised issue of 194,992 *l.*, arranged to issue Bank of England notes. Six private banks, having an authorised issue of 82,592 *l.*, ceased to issue, no reason being named. One joint stock bank ceased to issue, in consequence of having opened in London; it had an authorised issue of 442,371 *l.* Twenty-six private banks with an authorised issue of 388,129 *l.*, and eight joint stock banks with an authorised issue of 182,392 *l.*, amalgamated or transferred their business; that is to say, 34 issuers have amalgamated or transferred their business with issues amounting to 570,521 *l.* (*The Table was delivered in*, vide *Appendix.*)

6253. What is the general result of that table?—I think it shows very great stability on the part of the country issues.

6254. Do you know how many banks of issue there are in England?—One hundred and thirty private banks, and 54 joint stock banks; making altogether 167.

6255. How many non-issuing banks are there in England?—Out of London there are 83 private banks; eight joint stock banks, London and provincial; and 44 wholly provincial joint stock banks, making together 52 joint stocks banks; the total number of banks out of London being 135. In London there are, say 30 private banks and 13 joint stock banks, total 43; making a total of non-issuing banks of 178.

6256. The notes of those banks of issue rest entirely, do they not, upon the credit of the issuer with the public?—Yes, there is no security given for them, and no provision for coin being held.

6257. Do you think that the public, speaking generally, have sufficient means of judging of the stability of the issuers whose notes pass current as cash?—I think they have scarcely sufficient means of judging, because, of course, the private banks are not required to publish, and do not publish, any balance-sheets; and of the joint stock banks of issue, 54 in number, so far as I can find, only some 19 publish a statement of their assets and liabilities.

6258. I think in a former part of your evidence you stated that you considered issue by other bodies than the Bank of England to be a great public advantage, or a greater public advantage, at all events, than the issue being confined to one bank of issue; if that is the case, and if you think that the public have not sufficient means of judging of the value of those issues, what is the remedy that you would propose?—I should be disposed to give the power of issue to the present non-issuing banks, or to those of them that could satisfy the Government or a Government department that they were respectable and well established and of sufficient strength.

6259. Do you mean by that answer that you would extend the power of issue to any bank, private or joint stock, which satisfied the State that it was, humanly speaking, perfectly safe, and could give security and convertibility to the note?—There are so many small people who do a sort of banking business in England that care would,

Mr. *Sampson Lloyd*—continued.

of course, require to be exercised in any broad extension of that character; but, speaking generally, I should think that some such extension would be very desirable.

6260. How would you deal with the present issuing banks which at present have the exclusive privilege of issue?—I should be disposed to require either that they should give security for their issues, or that their issues should be made, which would, perhaps, be the more simple process, a first charge upon their estate.

6261. Would you do that with all banks, private and joint stock banks, which exercise the privilege of issue?—Yes, I should be disposed to do so, because I think that the note holder, in the majority of cases, is what may be called an involuntary creditor of the bank, while a depositor, on the other hand, is a purely voluntary creditor.

6262. Do you consider it an anomaly at present, assuming that country issues are desirable for the general interests of the public, that some of the strongest and largest banks in this country have not the privilege of issue, while some banks, notoriously not so strong, have the privilege of issue?—I consider that that is a decided anomaly in our present system. If you take such banks as the National Provincial Bank of England, which is the largest country bank in England, the London and County Bank, the Manchester and Liverpool District Bank, which is the largest purely provincial bank, and Lloyd's Banking Company, Limited, none of these are banks of issue; and they are certainly, I think, the largest provincial joint stock banks which we have.

6263. Can banking be said to be entirely free, according to Sir Robert Peel's professed idea, when certain banks have an exclusive privilege of issue, and others which are stronger have it not?—Sir Robert Peel's wish was to disassociate entirely the idea of banking and issue, and he said that he would restrict issue, but that he would leave banking entirely free; but I cannot think that banking can be entirely free whilst issue is a privilege of one section of bankers and is not allowed to others.

6264. Then the non-issuing banks are placed at a disadvantage, in your opinion, which is not quite consistent with equity or with public policy in competing with the issuing banks?—I think they are placed at a disadvantage; I feel perfectly certain, speaking for myself, and I believe for a number of the non-issuing bankers, that they would not have thought of interfering in any way with the privileges of their issuing brethren if this whole question had not been raised by the intrusion of the Scotch banks into England.

6265. In point of fact, though, you consider that the non-issuing banks are placed at a disadvantage, which is not just in point of public principle, the English issuing banks being limited, as they are, to notes of not less than 5 *l.*, and having no privilege of issuing against till money, are not able to compete very severely with the non-issuing banks?—Of course their competition would be much more severe if they had the privileges which you indicate.

6266. But you still consider that there is some competition which the English non-issuing banks would feel?—Yes, there is such competition; and I think that was testified to by Mr. Seebohm in his evidence when he stated that the issuing

Mr. *Dun.*

1 July 1875.

Mr. *Dun.*

1 July 1875.

Mr. *Sampson Lloyd*—continued.

bankers were in the habit of cashing cheques across their counter without charging commission.

6267. Then, in point of fact, in your opinion, the advantage of combining issue with banking is very great, and would be of great advantage to the banks of non-issue if they possessed it?—I think it would be a very great advantage; I do not think that the great power of unissued but issuable notes has ever been fully appreciated in this country. It is quite understood in Scotland, but I do not think that it has been fully appreciated by many who have considered the subject of issues in this country. If notes emanate from a State bank, those notes are comparatively useless to the bankers who deal with them because they are held, every one of them, at a loss of interest, and if you wish to reach the maximum of economy of capital in your issues, those issues should be the issues of the banks which come in daily contact with the public in the transaction of their banking business.

6268. How would you remedy this state of things which you describe as existing where certain banks have a privilege which you consider valuable both to the public, and certain other banks at least equally strong, have not that privilege?—I would extend the power of issue to all banks in England which can satisfy the State as to their position.

6269. Would you approve of 1 *l.* notes, and notes of any denomination less than 5 *l.*, being issued in England?—I am very sorry that 1 *l.* notes do not exist in England; I venture to think that they were discontinued in England through misapprehension; but at present I should not be prepared to recommend that so decided a step as the re-introduction of 1 *l.* notes into England should be taken.

6270. Do you agree with some of the witnesses who have testified before this Committee that they consider that the risk of forgery of 1 *l.* notes is almost a conclusive argument against their use?—I do not. So far as my memory serves me with regard to my Scotch experience, I do not remember that they were more frequently counterfeited than the notes of a higher denomination, but I do remember that forgery of either notes was very rare, and I should think that it is so still; engraving has been brought to such perfection that I should think you have very little risk of forgery now.

6271. Do you think that there is any objection to the present state of the law as regards the power of amalgamation of issuing banks, and if so will you kindly state what your objection is?—When two private banks are united, the combined bank, if it have not more than six partners, is allowed to retain the issues of the two; but when two joint stock banks are amalgamated the issue of one is thereby forfeited; and an issuing bank cannot transfer its power of issue in whole or in part to a non-issuing bank. The provisions seem to be unjust to joint stock banks, as compared with private banks.

6272. Assuming then that the State should not be willing to extend the power of issue to all the banks who comply with the requisition which you have sketched out, of satisfying the State as to their strength and solvency, would you recommend that any bank possessing a right of issue under the Act of 1844–45, should be made quite free to amalgamate that issue with an equally strong bank, private or joint stock?—In answer to the honourable Member's question, I should say that anything which would contribute to strengthen the monopoly which the English banks of issue have at present, without extending similar privileges to the banks of non-issue, would I conceive be unjust to those banks of non-issue.

6273. Then you would not extend the power of amalgamation to banks having an existing right of issue, unless at the same time the State were prepared to extend it to all suitable banks throughout the country which could satisfy the State as to their condition?—No, for the reasons which I have stated, viz., that you would thereby be giving an extension of privilege to those who were already privileged, and keeping out in the cold those who had not the privilege.

6274. I gather from your answers to other questions that you consider that the abolition of the country issues as another means of producing equality would be very impolitic?—Very impolitic indeed.

6275. Do you think that any money compensation would be voluntarily accepted by those banks which have now the privilege of issue in exchange, and as compensation for the loss of the issue?—I cannot of course pretend to speak for the banks of issue, especially as I do not myself represent a bank of issue; but whatever compensation the banks of issue might be willing to accept for their privileges, I cannot conceive that that compensation would compensate the public for the loss of the advantage which is derived by the public from the power of issue being held by a plurality of issuers in the country.

6276. As respects the competition of the Scotch banks, I presume that your objection to their being allowed to compete in English towns, armed as they are with special and exclusive privileges in Scotland, with banks in England which have no such privileges, to arise, not from any fear of competition on equal terms, but because you deem it inequitable, that of two competitors one should have special and exclusive privileges conferred upon him by the State, while the other has not?—That is so.

6277. And you welcome any amount of competition from whatever part of the globe it comes, provided only that it is conducted in an English town on equal terms?—That is so.

6278. Some remarks have been made tending to show that banks of issue supply the public with very great facilities as regards opening branches and as regards charges, with which I think you do not disagree; but is it or is it not the fact, in your opinion, that the existing banks of non-issue in England have developed, so far as their circumstances have permitted, banking facilities to the public to the utmost possible extent?—I may say, in answer to that question, that our own experience is, that whenever we find that it will pay to establish a branch in any particular town in our district we straightway do it, and I think that other non-issuing bankers as well as issuing bankers are actuated by pretty much the same motives.

6279. Are not the banking facilities in England already extended to very small towns indeed owing to the competition which exists, and is not a further extension, if such be desirable, prevented or lessened by the restrictions placed upon English banks?—If we had the power of issue we could extend our branches to many places where

Mr. *Sampson Lloyd*—continued.

where it would not pay to carry on a branch at which we should have to hold our cash balance in legal tender at a loss of interest.

6280. To revert to the question of the public taking issues, is it your opinion that it is possible, by giving privileges of issue to a larger number of banks, to force out an undue or improper proportion on to the public's hands, of notes payable in gold on demand?—I think that I have already stated that over-issue is a physical impossibility where you have the issues in the hands of respectable and solvent banks, and where the convertibility of the note is a condition of issue.

6281. In point of fact, is it not your opinion that the public are as unwilling to take too many notes as they are to take too many hats and coats, or any other articles that they do not want?—That is clearly so.

Mr. *Anderson*.

6282. You said, did you not, that you were very sorry that 1 *l.* notes had been discontinued in England?—I did.

6283. And you said also that you would not advise resuming them; are not those answers a little inconsistent, or would you explain your reasons for being unwilling to resume them?—I believe that the 1 *l.* notes in England had not a sufficient trial; that in fact the errors of banking, which in a great measure was in bad and improper hands prior to 1826, were visited upon the issues of England, instead of being visited, where they were due, upon the banking of England, and that consequently the suspected issues were circumscribed, and the power of issuing 1 *l.* notes was thought, as I believe erroneously, to be pernicious, and was withdrawn. With regard to the second portion of the honourable Member's question, I would say that I think that unless we had a much larger bullion reserve at the foundation of the superstructure of credit in this country, it would be a somewhat hazardous experiment to re-introduce 1 *l.* notes in England. I am not without hope that the day may yet come when with a proper development of bank note issues in England, and with a proper increase to the ultimate bullion reserve of the country, it may be productive of good to give England the great economical advantage which undoubtedly results from the use of 1 *l.* notes; but at present I should consider it a somewhat hazardous experiment.

6284. You think that they had not a proper trial before, but still you object to give them a proper trial now?—I think that any change that is made in the laws regulating the currency should be of a very gradual character. It must be known to the honourable Member that the system of issue in Scotland grew up over a long series of years, and was a plant of a very gradual development; and I think that sudden changes in a matter of that kind are very much to be deprecated.

6285. But still you would like it to grow up in time?—I should.

6286. Then you must make a beginning to do that, must you not?—Yes; but I would make a beginning by extending the present power of issue of 5 *l.* notes and upwards to the non-issuing banks, and so pave the way for the re-introduction of 1 *l.* notes in the course of time, if in the course of time it was deemed expedient.

6287. According to what you have already

Mr. *Anderson*—continued.

said, extending the power of issue of 5 *l.* notes and upwards to other banks would in no respect increase the quantity of issue?—I think that the quantity of issue used by the banks would be increased at the cost of gold circulation on the one hand, and Bank of England notes on the other hand. And furthermore, a considerable amount, as it seems to me, of gold, which is at present held by the banks in their tills at a considerable loss of interest, would be liberated, and its place would be taken by unissued, but issuable notes, which are of the very greatest service in carrying on the business of the banks, and which are, as the honourable Member must know, simply invaluable to the Scottish banks.

6288. Do you think that an increased issue of 5 *l.* notes and upwards would displace gold?—I believe that it would to a considerable extent.

6289. How would that pave the way for 1 *l.* notes?—It would pave the way for 1 *l.* notes in this manner, that it would accustom the public of England to local issues to a very much greater extent than they are at present accustomed to them; that having been accustomed to local issues emanating from strong and reliable sources, forming, perhaps, a first charge upon the estates of the issuers, the public would then, in the course of time, be prepared to receive from those same issuers notes of a lower denomination than 5 *l.*

6290. Then your objection to beginning at once to make one step towards the issue of 1 *l.* notes is, that the local issuers would not be sufficiently strong to have their issue appreciated by the public?—The local issuers in England consist, as the honourable Member knows, partly of private banks and partly of joint stock banks. I should not like that anything I said should be held to impugn the entire sufficiency of all the issuers of England, but we have before us a table which shows that so many banks have failed from time to time, and if you go back the experience of those years will enable you to say that those that have failed were not strong.

6291. That answer is tantamount to saying that you would be afraid of the solvency of the issuers, supposing the issue to be in the hands of all the banks, but supposing that it were a State issue, would the same objection apply?—Certainly not. Under proper safeguards as to the reserve of bullion held to ensure the entire convertibility of the note at all times, there cannot be the slightest doubt as to the sufficiency of a State issue.

6292. Then you would be willing to take the step of the introduction of 1 *l.* notes at once under those circumstances, if they were met by a sufficient stock of bullion?—If the honourable Member means 1 *l.* notes issued by the State, I should consider 1 *l.* notes issued by the State to be practically useless.

6293. Why?—Because as I endeavoured to explain in answer to a previous question, the economical advantage of note issues is neutralised, or nearly neutralised, when those notes cease to be the issues of the banks which come in contact with the public, and which do the banking business of the public.

6294. Would not the public take them?—The public would take them certainly. So far as the convenience of the public goes in making their payments, the State issue would be equally convenient with the issue of private issuers, and per-

Mr. *Dun.*

1 July 1875.

Mr. *Anderson*—continued.

haps a trifle more so; but so far as the economical advantage to the public goes, that is to say, so far as the cheapening of banking to the public goes, the 1 *l.* notes issued by the State would be of no use, because the banks would have to hold these 1 *l.* notes at a loss of interest, and that loss of interest they would have to recoup by charges on their customers and the public.

6295. You have no doubt at all that the public would take the notes willingly enough?—The English public are unaccustomed, and has since 1828 been unaccustomed to the use of 1 *l.* notes. The English public is a little slow to accept changes.

6296. Is not that simply because they have not the option of taking either gold or notes as they please?—Many people consider that gold is more convenient to carry than notes for change in the pocket or in the purse.

6297. Is it not the case that in Scotland the public have the option of having either gold or 1 *l.* notes just as they please?—I think that the honourable Member will admit that where a gold circulation can scarcely be said to exist, the public can scarcely be said to have the option of taking either gold or 1 *l.* notes.

6298. But is it not the fact that the gold circulation only does not exist, because the public do not want it, because if the public wanted it, all they would have to do would be to take the 1 *l.* notes to the banks and demand gold in exchange for them?—If anything occurred to shake the confidence of the Scotch public in the 1 *l.* note circulation of their banks, I should think that a considerable quantity of gold would be brought to Scotland and put in circulation.

6299. But there is such confidence in them that at present they prefer having notes to gold, do they not?—In the country districts that is undoubtedly so.

6300. Is it not so in the cities?—Many men prefer carrying gold to carrying notes; I find when I occasionally go to Scotland, that a great many people do carry gold now in preference to 1 *l.* notes.

6301. Seeing that the Scotch public have the option of taking gold or notes, whichever they please, why should not the English public have the option of taking whichever they please; if they did not like them they need not have them?—I submit that that is hardly a question which I can answer; I think that it ought to be put to Parliament.

6302. You object to the Scotch banks coming into England to do business in competition with the English banks, because the Scotch banks have certain legislative advantages, do you not?—That is so.

6303. Do you approve of Mr. Goschen's Bill?—I do.

6304. Then you wish to deprive the Scotch banks if they come into England of those legislative advantages?—Yes, I conceive that the legislative advantages were allowed and continued to Scotch banks as purely Scotch banks, and that when they become Anglo-Scottish banks, or Scoto-English banks, they ought to forfeit those peculiar Scotch privileges.

6305. Would it not answer your purpose equally well to level up the English banks, and give them the same legislative advantages?—If it were possible.

6306. Is it not possible?—It is not.

Mr. *Anderson*—continued.

6307. Not even by legislative enactment?—I think not in the present circumstances of the country.

6308. Would your opinion about preventing the Scotch banks coming into England go the length of driving out those that are already there?—That is a question for this Committee, and afterwards for Parliament to consider. I think that they were there wrongly to begin with.

6309. You are aware that they were not there illegally?—As to that, I am scarcely competent to form an opinion, and so many opinions have been given that it would be presumptuous of me to offer my own opinion.

6310. Then are you of opinion that those who have come into England and have created a business, the goodwill of which is of considerable value to them, should be driven out of England and deprived of that business which they have created?—I think that they have no business there, as a matter of justice; I am not speaking of law, for I am not competent to give an opinion upon it, and although I conceive that in the interests of justice to them it would have been very much better if exception had been taken to their intrusion at the time that they made it, and that there would be a hardship in their being compelled to retrace their steps now, still I think that, as a matter of abstract justice, they have no business there.

6311. And that they ought to be driven out, you think?—I think that strict justice requires that they should not remain.

Mr. *Mulholland.*

6312. Did I correctly understand that it was your opinion that the right of issue should be given to private banks as well as to joint stock banks?—There are many private banks of non-issue in England of most undoubted respectability and standing, and I should be very sorry in any recommendation to strive to secure a monopoly for one class to the disadvantage of another. I, therefore, would as far as possible give the power of issue to all respectable private banks as well as to all respectable joint stock banks.

6313. Up to any amount for which they would provide security?—I think that there should be some regulation or limit as to the amount.

6314. How do you think that you could fix such a limit?—The limit could easily be fixed, in the case of a joint stock bank, by limiting it to half of their paid-up capital, or to one-third of their paid-up capital; probably one-half would be better.

6315. In the case of the private banks, how would you limit it?—In the case of the private banks, I think that you would require them to lodge security, because you have no paid-up capital, or at all events, it is not declared in any way.

6316. Would you give them the right to issue up to any amount for which they would lodge security?—No, I think that the amount of issue ought to have reference to the circumstances in which the bank is placed; I do not know that much harm would be done by giving an unlimited amount, but still I would rather limit it.

Mr. *Beckett Denison.*

6317. When you say that private banks have no paid-up capital, do you mean that absolutely?—Their paid-up capital is unknown.

6318. What

Mr. *Mulholland.*

6318. What would you propose to do with regard to the limits at present existing to the circulation of issuing banks?—I would re-adjust the present limits.

6319. Would you propose that any part of such circulation should be based upon gold, or that the whole of it should be upon securities?—I think I should not ask the joint stock banks or the private banks, who had already the power of issue, to give security, other than making their issues a first charge upon their estate; and with regard to the other question about gold, I conceive that it may be a very useful thing to provide that gold should be held; and certainly if the Scotch privilege of issuing beyond the authorised amount were conceded, it should be in the case of Scotland, upon the basis of gold being held.

6320. Would you propose to give any banks that might be created in the future the same right to issue on security?—Yes, if they came under the same conditions.

6321. If this circulation were to displace Bank of England notes, would it not displace a circulation that is at present based upon a deposit of gold. The diminution in the Bank of England issue would be a diminution in the 12,000,000 *l.* that are issued against gold, would it not?—Yes.

6322. So that it would in fact be the same thing as if it displaced the gold in circulation?—Yes.

6323. Do you think that the total amount of gold in reserve and in circulation in this country is excessive, considering the magnitude of our transactions?—I have already said, in answer to questions from another honourable Member, that I considered that the present reserve of gold was strikingly inadequate to the total amount of the credit transactions of the country.

6324. And yet what you propose would have the effect of diminishing it?—I think not, coupled with the arrangement whereby the cash reserves of the bank would be lodged with either a State Department or with the issue department of the Bank of England, whereby banks would keep their own reserves instead of relying as they at present do in a great measure upon the reserves of the Bank of England.

6325. So far as it would displace an amount of gold either in reserve or in circulation, the only advantage to the public of such a change would be, would it not, that it would increase the supply of loanable capital at the disposal of the banks?—I regard issues from my Scotch experience of them as a most valuable banking instrument, an instrument for the extension of banking, and the cheapening of banking; and I consider that the advantage to be derived by the public from issues, is derived from the unissued but issuable notes more than from the notes that are actually in the hands of the public.

6326. Is not the effect of that advantage rather to increase the profits of the bank than to diminish the rates for loans to the public?—I do not think that it has had that effect materially. Supposing that our bank were to receive the privilege of issue, I think that the direct profit of that issue would be reaped by our customers in a very great measure, and the indirect profit and facilities would accrue to us.

6327. And you believe that if such privileges were given to bankers, the rates charged to the public would be diminished in England?—I have no doubt of it.

Mr. *Mulholland*—continued.

6328. Are the rates charged by the issuing banks at present lower than those charged by the non-issuing banks?—We have it in evidence that on many transactions there is no commission charged by an issuing banker in cases in which a non-issuing banker would make a charge. I may mention that the bank with which I am connected has only one branch at a town where it comes into competition with an issuing bank. I wrote to the manager of that branch, and asked him what advantage he conceived the firm in question, which is a private bank, had over ourselves in conducting business, and his reply to me was that the sole advantage was in respect of the commissions; that they paid cheques free of commission when they paid them in their own notes.

6329. Do you not think that if the fixed capital of banks could be turned into circulating capital in the way in which you propose, by issuing against securities, the effect would be a general inflation of prices owing to the increased supply of circulating medium?—I do not conceive that bank notes have any effect whatever upon prices. Bank notes are but a very infinitesimal portion of the credit circulation of this country. They must now always perform a very subordinate part, being simply, as it were, the small change of commerce; and to attribute to notes an effect upon prices would be, perhaps, about as reasonable as to attribute to coppers an effect upon prices.

6330. You do not therefore see any essential difference between the circulation of cheques and the circulation of notes or coin?—I see a very considerable difference between them, but they are both forms of credit. The notes are forms of credit which it is well for the interests of the public that the Government should confine within certain limits, whereas a Government would never, I think, dream of interfering with the circulation of cheques, or bills of exchange, or with the amount of accommodation which a banker might consider it prudent to give to his customers.

6331. If prices were inflated by an increased supply of circulating medium, would not the effect of that be to absorb the increased supply of circulating medium for a time, and to produce in that way an apparent legitimate demand for it. You said that the circulation of paper could not be increased; could it not be increased if there was a general rise in prices?—A general rise in prices would almost necessarily cause an increase in the amount of gold and the amount of notes circulating in the country, because if you have to pay two prices for every ordinary article which you buy, you will probably have to carry double the quantity of money in your pocket.

Mr. *Beckett Denison.*

6332. You said you would give the right of issue to all respectable banks; what definition do you attach to respectable banks; had you reference to the amount of their capital or to the amount of their circulation?—I should think that the wisdom of Parliament might be able to devise some test to which to put banks if they extended the power of issue. I do not think that it would be difficult to devise some test.

6333. How

Mr. *Dun.*

1 July 1875.

Mr. *Dun.*

1 July 1875.

Mr. *Orr Ewing.*

6333. How many years were you a banker in Scotland?—I was from 14 to 15 years in the Bank of Scotland.

6334. In what department?—For several years before I left I was inspector of branches.

6335. How many years have you been in England?—Since 1865; nearly 10 years.

6336. In the same bank?—In the same bank.

6337. You stated, did you not, that you thought it was unjust that only 11 banks in Scotland should have a monopoly of banking in that country?—I said so.

6338. In what way have they a monopoly?—Because no other bank can, with any prospect of success, establish itself against them. Sir Robert Peel stated distinctly in his explanations, in introducing the Scotch Bill of 1845, that he had given, or was giving, the Scotch banks a monopoly of issue. I do not know whether he understood that that monopoly of issue would naturally and necessarily lead to a monopoly of banking; but that it has done so the history of banking in Scotland is, as it seems to me, abundant proof.

6339. Did he not make the same remark with reference to the banks in Ireland?—He did not, so far as I have read his speeches.

6340. Did not the Bank Act of 1845, applying to Ireland, give the same monopoly of issue to the Irish issuing banks as it gave to the Scotch banks?—There were then existing, as I understand it, in Ireland certain private banks which had not the power of issue. At that time, in Scotland, there was no bank which had not the power of issue.

6341. Had not all the banks that had the power of issue in Ireland in 1845, the same privilege conferred upon them by that Act as was conferred upon the Scotch banks?—That is so; the monopoly of issue.

6342. Are you aware that since 1845 three banks have been established in Ireland without the privilege of issue?—That is so.

6343. And are you aware that those three banks are more prosperous, according to the dividends which they pay, than some of those banks that have the privilege of issue?—I am not aware as to that.

6344. If you look at Mr. Palgrave's Notes on Banking, you will find that there are three banks which are not of issue, the Hibernian Bank, the Royal Bank, and the Munster Bank, and you will notice that one of those banks, the Royal Bank, paid 12 per cent. in 1872?—In 1874, I find that the Royal Bank paid 15 per cent.

6345. What did the Munster Bank pay?—Thirteen per cent.

6346. What did the Hibernian Bank pay?—Twelve per cent.

6347. What did the Bank of Ireland pay?—Mr. Palgrave states in his book that they paid 11 per cent.

6348. That is the bank which has the greatest privilege in Ireland, having the privilege of issuing no less than 3,738,428 *l.*?—Precisely.

6349. Then if we find in Ireland that non-issuing banks are able to compete successfully with banks having the privilege of issue, and that they pay larger dividends than the banks of issue, do not you think that there is room to doubt whether the fact of the Scotch banks having this privilege is a true reason why no banks of non-issue have been established in Scotland?—I think that the honourable Member's conclusion might perhaps be justified if the dividends were regarded as the sole test of the success of a bank; but the Bank of Ireland, for example, has a very large paid-up capital upon which it has to pay dividends, and that effectually keeps down the dividends which it pays to its shareholders, notwithstanding its privileges.

Mr. *Orr Ewing*—continued.

6350. The National Bank is another bank which has the privilege of issue to a considerable extent, what did it pay?—It is stated in the table which I have before me that the National Bank paid 11 per cent. in 1874.

6351. At all events you will admit that in Ireland the non-issuing banks have been able not only to exist but to flourish?—That is so.

6352. Then do you not think that there must be some other fact than that which you have attributed as the reason why we have no new banks established in Scotland?—No. I can quite see that the privileges which effectually gave the Scotch banks a monopoly did not give the Irish banks a monopoly.

6353. May it not be that, from the admirable manner in which the Scotch banks conduct their business they not only inspire the public with great confidence in them, but also transact their business so cheaply and economically as to afford the public every facility, so that there is no room for a new bank to be established?—I believe that the existence of the exclusive power of issue is a sufficient bar to any bank being established in Scotland that has not the power of issue.

6354. But you cannot hold that opinion after what you have admitted to be the case in Ireland?—I do.

6355. Why is it that a bank cannot be established in Scotland when non-issuing banks under the same circumstances, competed with by privileged banks, do successfully compete with those privileged banks in Ireland?—But can we admit that the circumstances are the same; I do not know. I am not familiar with the circumstances of banking in Ireland, but I have a personal acquaintance with the circumstances of banking in Scotland, and that acquaintance and experience lead me to say, most distinctly, that the monopoly of issue has given, and does give, and is calculated to give, a monopoly of banking.

6356. But you must know, from your experience as a banker in Scotland, that the Scotch banks do satisfy all the wants of the country in the cheapest possible form?—I have nothing to say against the way in which the Scotch banks conduct their business.

6357. You admit that?—I admit that the Scotch banks conduct their business with liberality, but that they satisfy all the wants of the country it would be a little presumptuous for me to say, when we have heard from Glasgow and elsewhere complaints with regard to the monopoly which exists.

6358. Do you believe that if a portion of any English bank was going down to Scotland, to Glasgow, Edinburgh, or any country district, they could give loans to the public upon cheaper terms than the Scotch banks at present do?—I am sorry to appear to ask the honourable Member a question, but I should like to know upon what terms the Scotch banks do give their loans at present.

6359. From your experience when you were there, if any bank could go to Scotland and give an advantage to the public, would not the public do

Mr. *Orr Ewing*—continued.

do business with them?—But my contention is that no bank could go.

6360. Do you think that a non-issuing bank could not go to Glasgow and open a branch there, and that if they were able to transact business cheaper with the merchants of Glasgow, they would not get the business?—It was a fact when I was in Scotland (and I have no reason to suppose that it has changed) that some of the discount houses in London had agencies in Glasgow who discounted for the Glasgow merchants their bills at a cheaper rate than the Scotch banks were willing to take them at. But that is a very different thing, as it seems to me, from conducting a banking business; that is merely a bill being handed in, and the proceeds in the shape of a draft on London being handed in exchange for it; it is an entirely different thing from carrying on the ordinary operations of banking in Scotland, and the carrying on of such operations I consider to be perfectly impossible without the privilege of issue possessed by the Scotch banks.

6361. Notwithstanding the success of the non-issuing banks in Ireland?—Notwithstanding the success of the non-issuing banks in Ireland; I know that it is so in Scotland.

6362. You stated that those banks in Scotland did not conduct their business upon equal terms; by that I suppose you meant that one bank had a greater privilege of issuing than the other?—The privileges of the Scotch banks are not all alike, as the honourable Member must be aware; the British Linen Company has an authorised circulation of 438,024 *l.*, and it showed in April 1873, an actual circulation of 609,632 *l.*; and gold and silver coin and notes of other banks, 502,320 *l.* The City of Glasgow Bank, with an authorised circulation of only 72,921 *l.*, showed on the 4th of June 1873, an actual circulation of 896,180 *l.*, and gold and silver coin and notes of other banks, 993,270 *l.*

6363. And the Aberdeen Bank has even less; it has only 70,000 *l.* of authorised circulation?—Yes, I believe so.

6364. Therefore the largest bank which you quoted, the British Linen Company, has six times the amount of authorised issue that the Aberdeen Bank and the City of Glasgow Bank have?—That is so, and comparing the City of Glasgow Bank with the British Linen Company, the City of Glasgow Bank seems to have a larger business; the capital of the two banks being equal.

6365. And therefore the privilege of issue does not seem to have prevented the bank with the smallest issue from being prosperous?—I do not know whether it may have been equally prosperous; I have not the returns as to the amount of dividend which they pay, and I do not know how they conduct their business; they may be taking greater risks than the British Linen Company, and that may make a difference on their profits; but the difference in the authorised circulation would lead to this inference: that it is not so much the actual amount of authorised circulation, although that is of some importance, as the privilege of issuing at all, that is valuable. I believe that it would be of great benefit and advantage to the Scotch banks to issue notes, even supposing that they were placed under the condition of issuing those notes only against gold held for every note issued.

6366. But the same inequality that you complained of as to Scotch banking exists, does it not, as to English banking?—That I would endeavour to equalise.

Mr. *Orr Ewing*—continued.

6367. The largest circulation that I have been able to discover of any bank of issue in England and Wales amounts to 357,000 *l.*, that is Stuckey's Banking Company?—That is so.

6368. The smallest circulation in England and Wales goes down to 2,930 *l.*, that is the Chertsey Bank, Messrs. Lacoste and Son?—There is no such bank in the return which I have in the Banker's Magazine of June 1875.

6369. It is in a Return which was made to the House of Commons the other day (*handing a Return to the Witness*)?—"The Chertsey Bank, 2,930 *l.*"

6370. The inequality is much greater in England as to privileged banks than it is in Scotland, is it not?—I cannot tell what the capital of the Chertsey Bank is.

6371. It was the inequality of the circulation of which you complained, was it not?—The inequality which I mentioned had reference to the relation of authorised circulation to paid-up capital. The Chertsey Bank may be, and very likely is, a very small bank. Stuckey's Banking Company is, as is well known, a very large bank, and the circulation of the Chertsey Bank may be quite as large in proportion to its resources and position as the circulation of Stuckey's Bank.

6372. At all events, from those figures which you have stated, the inequality of the issue of banks of issue is greater in England than it is in Scotland, is it not?—I am not prepared to say so at all.

6373. Would you not say that 2,930 *l.* is a greater inequality as compared with 357,000 *l.* than 70,000 *l.*, as compared with 438,000 *l.*?—Not necessarily so. It is relatively to the capital and to the standing of the bank.

6374. I am not asking you with reference to the capital, but with reference to the circulation?—But the honourable Member will bear in mind that my remark as to inequality was a remark about inequality in reference to capital, and the position of the bank.

6375. I am asking you without reference to capital, but with reference to circulation?—As a mere matter of figures, it is perfectly evident that 356,976 *l.* is a considerably larger figure than 2,930 *l.* I think that the honourable Member's position in that respect is quite clear.

6376. Do bankers generally in the country hold much gold?—I can only speak for ourselves; we hold as much gold as is needed for the daily transactions of our bank, allowing a very ample margin for contingencies. We pay a very large amount in each week in wages, and of course, the greater amount of that is paid in gold.

6377. What amount of gold do you hold?—Off the book I am not prepared to say what amount we hold.

6378. Can you not approximate to the amount?—No; the cash balances come before me in a concentrated form, without distinguishing Bank of England notes from gold.

6379. I suppose that upon all emergencies you would really depend upon the Bank of England for an extra supply of gold?—That is the system of the whole of the kingdom from the London banks down to the Scotch banks.

6380. And the whole country are entitled, are they not, to draw upon the reserves of the Bank

Mr. Dun. — 1 July 1875

Mr. *Orr Ewing*—continued.

of England if they had property representing gold?—If they have money with the Bank of England, or if they have balances otherwise that can command a share of the Bank of England reserve; but the 13,000,000*l.* will not go very far towards satisfying the requirements of all the banking community, if they all want it at the same time.

6381. From your experience of the two systems of banking in England and in Scotland, the one having 11 banks only, with a vast number of branches, and the other having a large number of small banks, private and others, with few branches, which are you prepared to say is the best system of banking for a nation to adopt?—Both systems have undoubted advantages of their own; there is, of course, greater unity of management in the case of large joint stock banks, with a central office, which controls the operations at the branches, and there is likewise greater economy of capital; but, on the other hand, where the system of branches is extended too far, and where the establishment becomes of a very gigantic character, the central control is very difficult to maintain in its full efficiency, and I should very much fear that if the Scotch banks scrambled over the whole of England with their branches, they would become rather beyond control.

6382. But you would desire, I suppose, that the banks of issue should have the power of amalgamating so as greatly to diminish the number of them in England, and to have branches established?—I think that the amalgamation of some of the smaller banks of issue in England would be a very desirable result in the interests of the public; but as I said in reply to a question which was put to me by another honourable Member, the banks of non-issue would very naturally, I believe, look with some degree of disfavour upon any reform of the existing issues of England, which would tend to improve the monopoly which the existing issuing banks have.

6383. But supposing that it was thought by Parliament necessary to give facilities for banks amalgamating in this way, and allowing joint stock banks of non-issue to arrange with private banks or other banks of issue to amalgamate, would not that do away with or mitigate your objection, at all events?—It might.

6384. I presume if that were done you would be quite satisfied, because it appears from the evidence that we have had before the Committee, that the authorised issue of notes in England has not been made available, as the public do not seem to require it?—The authorised circulation of notes is not made available, very much because there is no power to issue beyond it; if the English banks possessed the power to issue beyond their limits, I think it has been stated in evidence that they would approximate to their authorised issues much more nearly than they do, and that, in fact, they would probably, in many cases, exceed it.

6385. What is at present the authorised issue in England?—£. 6,460,985.

6386. What is the real issue?—The actual issue is, as nearly as possible, 5,000,000*l.*

6387. If that proposal which I have suggested to you were carried out, and the banks made arrangements in different parts of the country where there are no issuing banks at present, the issue would be restored again to its authorised

Mr. *Orr Ewing*—continued.

amount of 6,500,000*l.*, would it not?—I think not; because even in the case of those bankers who have the means of issuing to the full extent, I mean to say, where the demand for their circulation would absorb the whole of their issue, they are obliged to keep those issues very much below the authorised amount, in order to prevent their incurring the penalty laid down by the Act for an excess.

6388. You would advocate, then, that all banks of issue should have a privilege of issuing a little beyond the authorised amount, in order that they might not run the risk of this penalty?—There would be a great facility in such an arrangement.

Sir *Graham Montgomery.*

6389. When you were in Scotland did you often hear it stated that this monopoly enjoyed by Scotch banks was used against that portion of the public wanting accommodation?—I have heard it stated.

6390. Do you really believe in its existence at the present moment, and that any person who can offer good security is refused accommodation by the banks in Scotland?—I cannot, not having had knowledge of the course of Scotch banking business for the last 10 years, pretend to answer that question in such a way that my opinion ought to have any weight.

6391. Do you think that it is likely that if another bank were established in Scotland, they would be willing to do business on lower terms than the terms offered by the Scotch banks now?—I feel perfectly sure that if a Scotch bank could open, especially in Glasgow, with the advantages of Scotch circulation, it would very speedily establish a fair business for itself.

6392. Do you think that this agreement among the Scotch banks as to having a minimum rate of charge, is a great disadvantage to the public in Scotland?—I think it is a disadvantage to the public in some cases, and I think it is in some cases a disadvantage to the banks themselves. As I said before, my practical knowledge of banking in Scotland is 10 years old, but I should think that the effect of such a close arrangement would be to drive many bills, and perhaps other banking transactions, from Scotland to England, where there is more competition amongst the banks in regard to charges than there is in Scotland.

6393. Then you will admit that, as regards the safety of the banks and the safety of the public, this want of competition, as you call it, has been a great advantage to Scotland?—I do not see what effect the mere fact of the Scotch banks clubbing together and saying, "We shall not charge more than a certain rate, or we shall not allow more than a certain rate," should have upon the stability of the banks, or upon the safety with which they conduct their business.

6394. You say in your Letter to the Chancellor of the Exchequer, "But it must not be forgotten that in Scotland there is a monopoly in banking, which, though as yet, in consequence of lively internal competition among the monopolists, it has not operated to the disadvantage of the public, cannot be defended upon principle." Then it is more in principle that you object to this than in actual practice?—I am quite willing to go the length of saying that I believe that the monopoly in Scotch banking has not as yet materially operated to the disadvantage of the public,

Sir *Graham Montgomery*—continued.

public, and that the reason is that which is stated in the letter which you have quoted, viz., that there has been a very great deal of lively competition amongst the banks themselves; competition not in respect of rates, but competition in the acquiring of business. But, as Mr. Somers, who is one of the ablest defenders of the Scotch banking system, put it (and I must say that I entirely concur in the opinion), "In the rapid growth of the country 11 banking companies will, at some point or other, not be deemed enough; it will be considered that banking dividends, from 10 to 15 per cent., and bank stock worth three times its original par value, with both dividends and value of stock constantly increasing, should not be, in any sense, the law-bestowed perquisite of any given bodies of shareholders; and an Act which thus lays a permanent arrest on the free development and equalisation of public interests, will not only be more and more condemned as a grave exception to our whole economical system, but be ultimately resented as an intolerable grievance." That is an extract from Mr. Somers' book on "The Scotch Banks and System of Issue."

6395. A dividend of course depends, to a great extent, upon the paid-up capital?—It depends upon the paid-up capital. If a bank is carrying on business upon a small paid-up capital, it will pay upon the same profits, of course naturally, a very much larger dividend, and *vice versâ*.

6396. If you compare the dividends paid by Scotch banks and the dividends paid by some of the English joint stock banks, the Scotch dividends would not appear excessive at all, would they?—I do not think the dividends are excessive in Scotland, but they are very satisfactory dividends all the same.

6397. You said, did you not, that before 1845 the paid-up capital of the Scotch banks was not so much as it is at the present day?—That, I believe, is so.

6398. But many of the Scotch banks have an unpaid-up capital at the present time, have they not?—Several of the Scotch banks have an unlimited uncalled capital, because the liability of their shareholders is unlimited.

6399. Several of them have not called up their capital to the full extent; and if you made a comparison of the capital before 1845 with the present capital and the capital that they are entitled to call up still, in all probability would it not be the case that the paid-up capital of the present day, and the capital that they could call up, would be greater than the capital before 1845?—If you compare, upon the same footing, the time before 1845 and the present time, you will find that the capital paid up and callable has decreased, but of course if you threw in the callable capital and compared it with the paid-up capital before 1845, the comparison would be in favour of the present time. But that would not be a fair comparison, as it seems to me.

6400. You would not mean to convey, would you, that Scotch banks are doing business with a smaller amount of capital than they ought to have, compared with the amount of business that they do?—I think that the proprietors' funds of all joint stock banks should bear a very substantial relation to the liabilities of which they form the substratum.

6401. The deposits and the note circulation?—

Sir *Graham Montgomery*—continued.

The deposits, the note circulation, and the acceptances. A late eminent authority on banking, Mr. Gilbart, laid it down in his treatise upon the subject, that the proportion of the proprietors' funds to the liabilities of which they formed, as it were, the guarantee, should be not less than one-third; and he stated distinctly, in a passage of his work which he never altered or cancelled, or in any way modified, that when the capital ceased to be one-third of the liabilities, it ought to be increased; but he departed from that in the case of the London and Westminster Bank to a very large extent, or rather that bank departed from that rule while he was manager of it. But there is no doubt, although it is difficult to draw the line at any particular proportion, that a joint stock bank ought to have, especially if it is a bank of issue, and especially if it adds to that power of issue the practice of accepting bills, a very substantial basis of paid-up capital. Without drawing any hard-and-fast line, I should say that 20 per cent. would be a fair amount to have.

6402. Then you have no fault to find with the Scotch banks in reference to that matter?—They have, on an average, 15 per cent.

6403. You said that you thought it would be an unsafe proceeding for the Scotch banks, if they had branches in London, to accept foreign bills to a large extent; but could they not do that through their correspondents to any extent they liked at the present moment; do you think that having a branch in London would be likely to induce them to do that sort of business to a greater extent than they do now through their correspondents?—I should judge that doing it through their correspondents would in two ways exercise some control over the total amount. In the first place, it would be a little more expensive for them; and, in the second place, it would naturally bring under the notice of those correspondents with whom they would be in confidential relations, the amount of those acceptances, and if the amount became excessive, there would be a third party to warn, and perhaps to demur.

6404. Still, if they had a manager in London in whom they had confidence, he might just as safely conduct that business as the correspondents of a Scotch bank would do, might he not?—He might, or he might not.

6405. I understood you rather to think it a disadvantage to Scotch bankers that they should come to London and do that sort of business?—I believe the tendency would be to tempt them into a rather excessive acceptance. At all events, the fact is, that previously to the Scotch banks coming to London, their acceptances were in a very considerably narrower compass, and those two banks which are at present in London (I do not, of course, count the Royal Bank, because its advent to London has been so very recent), the Bank of Scotland and the National Bank of Scotland are, in confirmation of what I have stated, the two largest acceptors amongst the Scotch banks.

6406. Is not the practice of giving acceptances a business upon which all London bankers have entered lately to a considerable extent?—Some of them to a very large extent.

6407. Perhaps to a larger extent than is wise. If not carried to an undue extent, is this kind of business attended with risk?—It is not, if not carried to an undue extent.

6408. How do you account for the fact that

Mr. *Dun.*

1 July 1875.

Sir *Graham Montgomery*—continued.

none of the 113 banks of issue in England who have power to establish branches in London, as we have been told, have thought of establishing branches there, and yet some of the Scotch banks have found it necessary to do so?—The legislation in Scotland has led to this result: that the smaller banks have been eliminated, and the larger banks have absorbed them, and a large bank would much more naturally wish to be represented in London than a small bank. The English banks of issue are, as I have stated in a previous portion of my evidence, small banks, as compared with the Scotch banks, and they have, therefore, no call to go to London; they can transact their business perfectly well without a London office.

6409. Even those that have the largest note issues?—Stuckey's Banking Company, which has the largest issue, has an agent in London and an office in London.

6410. Not a branch?—Not for the purpose of conducting banking business in London, but for the purpose of managing the investment of the surplus funds of the bank in London; and to that extent no English bank would object at all to the Scotch banks being represented in London.

6411. Perhaps you think that the Scotch banks would have done better if they had done that instead of establishing branches as they have done?—I think they would have done better.

Mr. *Campbell-Bannerman.*

6412. Do you view differently the case of the Scotch banks coming into Cumberland, and the case of the other banks which have opened branches in London?—I think the Scotch banks have no business either in the one place or in the other.

6413. You would treat both cases by the same remedy?—I should.

6414. And the remedy which you would apply, you say, would be to prohibit their coming?—Yes; under pain of forfeiture of their peculiar Scotch privileges.

6415. Then you have altered your opinion upon that subject since you wrote your letter to the Chancellor of the Exchequer, have you not?—In some degree, I have.

6416. You there say: "The law does not actually prescribe any penalty against the Scotch and Irish banks in the matter, and it would be a hardship to the three Scotch banks named, as well as to the National Bank of Ireland, to give to new legislation on the subject a retrospective effect"?—I admit the hardship.

6417. And after considering what the effect would be of the alternative of surrendering their issues, if that was accepted by them, you say at the end: "I cannot, however, advocate, as by any means the best, this solution of the difficulty, because it would tend unnecessarily to curtail the Scotch credit circulation, which is certainly not excessive, and is of great benefit to that country, as well as to its banking institutions"?—Yes; that is quite true.

6418. You admit that it would be a great hardship to eject from England Scotch banks which have already established themselves there?—I think the remark was made in reference to the banks which had been for some years established in London. I consider that, in some respects, the Clydesdale Bank differs, and that there could be no hardship, as they have only recently come

Mr. *Campbell-Bannerman*—continued.

there, to turn them away. To this extent I must modify my answer to the honourable gentleman's question: that in point of hardship there is a difference; but, in point of their right to be there, I conceive that in justice there is no difference.

6419. There is also the peculiar case of the Royal Bank, which obtained a special Act of Parliament to enable it to come to London?—There is that case, and I think it is very unfortunate that the whole of this question now at issue was not raised when that Bill was brought before the House of Commons, and that this inquiry had not then taken place.

6420. You do not consider that to offer the alternative of losing their issue would, in any degree, alleviate the hardship which you propose to put upon them?—The National Provincial Bank of England preferred to abandon their issue rather than lose the advantage of transacting banking business in London; but I must distinctly confess that the National Provincial Bank of England was in a different position from the Scotch banks, the power of issue of the Scotch banks being of so very much greater value than the power of issue was to the National Provincial Bank of England; and I think a Scotch bank would pause and think once, twice, and three times, before it would give up its issue for the sake of any business that it could do in London.

6421. Of course if a Scotch bank forfeited its circulation many of the smaller branches would have to be closed?—That is so; but I do not know that that, in itself, would be a serious disadvantage to the country or to the banks themselves.

6422. Would not the withdrawal of all the small branches of one of the great Scotch banks be a loss to the Scotch public?—No; because there are too many of them, as I conceive, already.

6423. Do you think there is too great a competition?—Yes, I think the Scotch banks throw away about 2½ per cent. of the profits upon their capital by the excessive number of their branches.

6424. But the power of establishing those branches is of advantage to the public, is it not?—It has been a decided advantage to the public; but of late years I conceive, with all deference to the judgment of the Scotch banks, that it has been carried too far; and I think we had it in evidence from Mr. Readman that he considered that there were far too many bank offices in Glasgow.

6425. The amount of circulation in Scotland you do not consider to exceed the wants of the community?—According to my views of the circulation of bank notes I do not think that the bank notes, in the hands of the public, ever can, under a system of perfect convertibility, exceed their wants.

6426. But supposing that a large portion of that issue lapsed, would any loss accrue to the community in Scotland?—There would be a loss to the banks that lost the issue.

6427. I am not talking of the interest of the banks, but of that of the general community?—That depends entirely upon the extent to which the Scotch banks might be able to shift on to the shoulders of the public the loss to themselves from the forfeiture of their issues.

6428. There would be a loss somewhere, either

to

Mr. *Campbell-Bannerman*—continued.

to the banks or to the public, would there not?—Clearly.

6429. And the banks, whether they succeeded or not, would at all events endeavour to recoup themselves by charging the public more for the business done, would they not?—That would be their natural course; but the competition with the other banks that still retained their issue might considerably cripple their endeavours in that direction.

6430. In this letter (which is so complete that I think it is worth while referring to it) you say that four courses for dealing with this difficulty suggest themselves: "First, that the Scotch and Irish banks, if they wish to retain their special privileges in Scotland and Ireland, should confine their operations to their own countries respectively; secondly, that if Scotch or Irish banks insist on coming to England to compete with English banks, English banks should be empowered to go to Scotland or Ireland to compete there with the Scotch or Irish banks on equal terms, and with equal privileges as regards circulation; thirdly, that to the English banks should be conceded powers of circulation in England as ample relatively as those enjoyed by the Scotch and Irish banks in Scotland and Ireland; fourthly, that all private issues in England, Scotland, and Ireland should be abolished, and that the State or the Bank of England should be the sole source of issue." That appears to me to be a very clear and exhaustive statement of possible policy that may be adopted; and in this letter, after considering the other alternatives, I think you suggest that the third is the best to adopt, namely, that to the English banks should be conceded powers of circulation in England as ample relatively as those enjoyed by the Scotch and Irish banks in Scotland and Ireland?—That is so; but there is one essential to the application of that remedy for the grievance of which the English banks complain, and that is its possibility; and I am afraid that I must admit the impossibility of so assimilating the English with the Scotch system as to remove the inequity of the competition between the two banking systems.

6431. You have made several suggestions in the direction of extending the issue privileges of English bankers; do you think that if those suggestions were carried out they would not to a very great extent equalise the privileges as between the English and Scotch bankers?—They would not remove them, because I have not gone so far as to suggest the adoption at present of 1 *l.* notes, nor have I suggested the power of issue beyond authorised limits against gold held, nor have I suggested an alteration in the mode in which the issues are returned by the English banks as compared with the Scotch banks; and it may be in the knowledge of the honourable Member that the Scotch banks have the advantage of returning their circulation on the basis of a weekly return and not on the basis of a daily return, as the English banks are compelled to do. The consequence of that privilege is this: that the Scotch banks have really the use of some 30 or 40 per cent. more of notes than they return and than the amount upon which they pay stamp duty.

6432. If that is so, can you state any reason why that advantage should not be extended to the English issuers?—There is no reason why that last advantage should not be extended to the

Mr. *Campbell-Bannerman*—continued.

English issuers, provided that the issues were were enlarged in England; for, as I have already stated, I think that non-issuing banks would very justly object to any extension of the privileges of the English issuers, unless they themselves got a share in the advantages of issues.

Mr. *Beckett Denison.*

6433. Will you explain a little more in detail how you arrive at that figure of 30 or 40 per cent. for which they do not pay stamp duty?—There was a return, I believe, given by the Scotch banks in the course of this inquiry as to the amount of notes brought in in the exchange; I am not basing my calculation upon that return, but I am basing it upon a statement which was made in the inquiry in the House of Commons in 1840, I believe by Mr. Blair, who was then treasurer of the Bank of Scotland. He stated that the notes which came in for the exchange would amount to about 30 per cent. of the actual issue then remaining out in the hands of the public; so that the Scotch banks, making a return at the end of the week after their exchanges with one another, have the advantage of showing their circulation at its minimum, and they have had the advantage of the use, without paying stamp duty upon them, of all the notes which have been in the interval in the hands of other banks.

Mr. *Campbell-Bannerman.*

6434. But you do not see any reason why that advantage, if it is an advantage, should not be extended to English issuers?—I see no reason why it should not, if issuing in England is extended to non-issuers.

6435. That is, as you proposed, under proper safeguards?—Yes.

6436. You have stated that, as a non-issuing banker, you would not have suggested any interference with the privilege of issuing bankers if the Scotch banks had not made an inroad into England; how does that inroad affect the relations between English bankers among themselves?—My meaning was this: that, as a non-issuing banker, I should have considered it a very invidious thing to have raised the question as between the two sections of English bankers, issuers and non-issuers; but when an incursion is made from the North, and the whole of this question of the restrictions upon issues is raised, contrary to the desire and without any intervention on the part of the non-issuing banks, then if the whole question comes to be discussed, I venture to take the position which I have indicated.

6437. Have you any expectation that legislation would establish perfect equality of privilege among bankers?—May I ask if the honourable Member means as between England and Scotland?

6438. And between different classes of bankers in England. Do you not recognise the fact that there must be in such a country as ours, where the existing state of things has grown up gradually, great differences and inequalities in the privileges of bankers?—"Must be" is putting it very strongly, but that there are differences in the conditions on which banking is carried on is beyond question.

6439. I am speaking of privileges allowed by the State. Do you look forward to a happy time when all those privileges will be exactly balanced

Mr. *Dun.*

1 July 1875.

Mr. *Dun.*

1 July 1875.

Mr. *Campbell-Bannerman*—continued.

and equalised?—I think it might possibly, in the course of time, come to that, but in the meanwhile the Scotch privileges are such as to give them a preponderant advantage over the English bankers.

6440. With regard to your suggestion that the issues of banks should be made a first charge upon the assets, would not such an arrangement be open to this objection, that when a panic occurred the depositors would try to get possession of the notes, and those who contrived to do so first would establish themselves in the position of having an inequitable preference over other depositors; and would it not therefore have a tendency to aggravate panic?—I do not think so; I think that there is not much in that.

6441. You are aware, of course, of the fact, that in Scotland, panics, where they have occurred, have seized the depositors rather than the note holders?—That is so generally; but there were, I think, two days in which it was exceedingly doubtful whether the Western Bank notes were going to be paid or not, and when the Scotch banks themselves refused the Western Bank notes.

6442. If the Western Bank notes had then been a first charge upon their assets, would you consider that that would have mended the state of things?—That would have mended the state of things, so far as the opinion of the other Scotch banks was concerned, because the discredit of the note happened after the suspension of the Western Bank, when there could be no question as between depositors and note holders.

6443. You said, I think, when you were asked about charges, that in Scotland the charge made for a remittance of any kind was usually paid in cash over the counter?—That used to be the case, and I understand that it is so still.

6444. Are you sure that that system is really so irksome as you state?—I remember in my experience in Scotland that that system gave rise to a great many discussions with the customer at the counter in the course of the transactions; he did not understand the small charges, and how they were made out.

6445. Do you understand that there is a general complaint in Scotland on the subject?—I understand that it frequently occasions irritation between the bank cashier and the customer.

6446. Did you say that the charge was larger in England than in Scotland?—That is according to circumstances, and the character of the account. There are some accounts which in Scotland under the Scotch system would really be subjected to a higher charge than in England, but there are other accounts which would escape with a smaller charge. It is impossible for me to draw a balance between the charges, and to say that the one would be greater than the other.

6447. If the charge was larger in England than in Scotland, probably the people of England, if they were aware of the fact, would prefer the Scotch charges, would they not, even if they did involve a little more book-keeping and trouble?—The charge for the commission cannot be taken alone in comparing the two systems of charge in Scotland and England. Our practice, where we charge commission, is to allow interest upon the daily balances of the current accounts at the deposit rate, that is to say, the same rate as the Scotch banks would allow upon deposit receipts.

Mr. *Campbell-Bannerman*—continued.

6448. Is that done in all cases?—With us that is the general rule.

6449. Not the universal rule?—There are of course accounts, and accounts, but that is the general practice of the bank. We discriminate between our accounts a good deal more than is the practice in Scotland.

6450. Do you allow an option to the customers, or do you fix the class of accounts yourself?—Within certain limits we allow an option to the customer.

6451. Supposing that a man kept an account, which was not a very active one, and which involved no transactions with distant places, and in the carrying on of which consequently there would be no great expense, would you allow that account to go on the principle of his receiving no interest?—We would in such a case even go further, we should allow him interest, and charge him no commission. It would become very much of the character of what we call a deposit account, upon which the operations are only, as I may call it, occasional and not continuous, and the operations are not of what you might call of a business character, that is to say, there are not a number of cheques for collection, and so on, involved in the account. In such a case our practice would be to make that a deposit account, allow it interest, and charge it no commission.

6452. You would not wait until the customer applied for it to be put upon that footing, but you would do it of yourselves?—We endeavour to deal as equitably as we possibly can with all our customers irrespectively of their application, or the contrary.

Mr. *Balfour.*

6453. You want, I think, to give to all banks in England which can show good security the privilege of issue?—Yes.

6454. The effect of that, I suppose, would be to diminish the amount of gold in the country?—I believe that it would liberate some quantity of gold.

6455. It would therefore make the relation with foreign exchanges more delicate, would it not?—I do not conceive that the relation with foreign exchanges has much to do with the amount of gold that is in people's pockets and tills over the length and breadth of the land; but that it has to do mainly, if not entirely, with the bullion reserve in the Bank of England, and the bullion that may be held in an exportable condition in the market of London.

6456. You desire to substitute for the bullion in the Bank of England a kind of State reserve, in which all the bankers should place their reserves, do you not?—Yes; perhaps I should not say all the bankers; I should consider that such large banks as the leading London joint stock banks, and private banks, would be bound to keep large reserves there, but that practically, in a very great measure, the reserves of the country banks would be kept with those London banks, either at a very moderate rate of interest, or else without interest at all.

6457. Would you compel bankers to keep their reserves in this Government department?—I should not.

6458. Then it would always be in the power of the Bank of England, I suppose, to continue the present system by offering a very small premium upon bankers keeping their reserves there,

Mr. *Balfour*—continued.

so that you might not materially alter the present system?—What I conceive to be the vice, if I may put it so, of the present system, is this, that the Bank of England is made the sole source of legal tender issue, and consequently comes to be the sole repository of the cash reserves of the different banks, and that it uses those reserves for the purposes of its business; it trades with them, in point of fact, and its reserves therefore dwindle down to a small point. I do not blame the Bank of England for that, but I blame the system for it.

6459. But I want to know how your proposed system would obviate that; it would not of necessity compel the bankers to go to this new place of deposit?—No, but a banker must keep a reserve, and if they left it where it was not traded with it would be there, and would be ready when they wanted it.

6460. Do you think that they would prefer that?—There has been a proposal made that the clearing house bankers should hold their own reserves; a proposal which was very ingenious, but perhaps impracticable, and I should think that what I venture to suggest would be more practicable.

6461. The loss to the country would be considerable, would it not, in the way of capital being locked up?—The gain to the country would be greater in the way of ballast and steadiness being given to the trade of the country.

6462. Do you think that the greater steadiness would more than compensate for the loss of about 200,000,000 *l.* which would have to be kept in this new place of deposit?—I think that the calculation of 200,000,000 *l.* very largely exceeds anything that would be at all requisite.

6463. You said that the liabilities were 700,000,000 *l.*, and I took one-third of that, subtracting the 13,000,000 *l.* now kept by the Bank of England?—I should not conceive it at all necessary to keep anything like one-third under those circumstances; one-third has been considered as the minimum balance which the Bank of England should retain, but that has been in view of the fact that the Bank of England was in a great measure, or was supposed to be, bearing the burden of all those liabilities.

6464. You said that London discounters offered loans in Glasgow at a lower rate than Scotch bankers; we have it in evidence that Scotch capital does not find sufficient employment in Scotland, and that it comes to England; I find it rather difficult to understand how those two operations can go on at the same time?—I believe that I can explain that. The Scotch bankers have made up their minds that they will act according to a distinct scale, and that they will discount no bills below a certain rate. There are certain bills which people in Glasgow can get discounted more cheaply in London. It is for the advantage, I dare say, of the Scotch banks that they should rather lose those bills than lower the rate upon the entire class of bills, and therefore they let those transactions pass them and go to the London discounters.

6465. You said, I think, that the suspension of the Act of 1844 was, in fact, a loan from the Government to the Bank of England?—I cannot see it in any other light.

6466. So far as my recollection goes, the Bank of England have taken no advantage of those suspensions, and they have not issued on those occasions any more notes than would have been issued had the Act of 1844 remained in force; is not that so?—On one occasion the limit was considerably exceeded; on another occasion it was exceeded, though not to such a great extent; and, on the third occasion, it was not exceeded. I am referring to the three crises; but I am speaking simply from memory.

Mr. *Balfour*—continued.

Mr. *Dun.*

1 July 1875.

Mr. *Kavanagh.*

6467. In one of your answers you said, with regard to the Scotch banks, that their assets had decreased in proportion to their liabilities from 30 to 15 per cent.; did I understand you aright?—That is so. I did not use the word "assets"; I used the words "proprietors' funds, viz., capital, reserve fund, and undivided profit."

6468. You went on to say, that you thought some of them had gone into an unlimited business; did I understand that rightly too?—Yes; in the sense that the field of banking in London and in England is very unlimited as compared with the field of banking in Scotland.

6469. Then, I understood you to say, that you thought that some of those Scotch banks had carried the business of acceptance to excess?—I did not say so; and I do not think that the present amount, accepted by the Scotch banks, is in excess of what a prudent regard to the proper rules of business would dictate; but I say that the tendency of their entering upon that business is, that they might be tempted to carry it too far.

6470. On the whole, am I to understand that you consider that the Scotch banks are what we term safe?—The honourable Member's question is not a difficult question to answer, although it is rather a delicate one; I think that the Scotch banks are quite safe. We have it on record that the Western Bank of Scotland, which was the most utterly mismanaged of any Scotch bank that ever failed, and which had departed from the lines which were previously laid down for Scotch banking, paid all its creditors in full to the last farthing.

6471. Then I misunderstood you on the whole to say that there was anything unsafe about the Scotch banks?—Clearly; I never thought so; I conceive the Scotch banks to be very safe indeed.

Mr. *Backhouse.*

6472. While the creditors of the Western Bank of Scotland were paid in full, the shareholders, who formed a considerable portion of the public, suffered very severely, did they not?—The shareholders suffered very severely.

6473. When was your bank established?—The bank was established in its present form in 1865; but it had previously existed for nearly a century as a private bank.

6474. It was not an issuing bank at that time, was it?—It was not an issuing bank at any time.

6475. There was nothing to prevent the bank which you represent from having been an issuing bank prior to the Act of 1844?—Nothing.

6476. It was their own choice that they were a non-issuing bank?—I understand so.

6477. And that is the case with all non-issuing banks that existed prior to 1844, is it not?—That is so. The honourable Member is, of course, aware that issuing banks in Lancashire are decidedly the exception.

6478. Therefore those banks established since

Mr. *Dun.*

1 July 1875.

Mr. *Backhouse*—continued.

the Act of 1844 have been established, have they not, with a knowledge that there could be no issue acquired by them?—With the knowledge that so long as the present legislation remained in force they were debarred from issuing notes.

6479. And, therefore, so far as regards their competition with banks of issue that exist at present, they either have had the opportunity of being banks of issue, or they have started banking with the knowledge that they would have to contend in competition with banks that have the privilege of issue, have they not?—That is so.

6480. With regard to the Act of 1844, you spoke of it as an Act intended to extinguish the local circulations of England, did you not?—I believe that it was the intention of Sir Robert Peel to pave the way for the concentration of issues upon a sole source of issue.

6481. And that he expected that the provisions which he made in that Act would, in course of time, diminish the number of banks of issue?—Yes, certainly, he expected that.

6482. And they have to some extent diminished since then, have they not?—Yes; but not nearly to the extent that he imagined.

6483. But, at the same time, considering all the circumstances of the case, he was quite willing to allow them to die a natural death, and not, by any legislative measure, to end their right of issue?—He expressed, throughout his speeches, great desire to have regard for existing interests.

6484. If you re-established the right of issue by doing away with the restrictions of the Act of 1844, how would you propose to confine it to any one special class of banks, would it not be reverting to the common law right of obtaining money on credit which existed prior to 1844, and would it not, therefore, be very difficult to restrict it to any defined class of banks?—I believe that banking in England is much better understood, and is also upon a much sounder basis than it was prior to 1844, and I should not consider that the objections which might have been valid at that time against what may be called indiscriminate issues, would be valid now, because I think that indiscriminate issues would not meet with credit at the hands of the public.

6485. But supposing that issues were allowed with security deposited with the Government against those issues, do you see how it would be possible in any way to define to whom that right of issue should be given?—If full security were given for the issues perhaps the necessity of defining would vanish.

6486. And therefore any general extension of issue would be, would it not, simply an allowance to any person who liked to deposit security to obtain the right of issue?—Yes, but I do not presume to lay down the details of any such system.

6487. Do you think that it is desirable that there should be a considerable issue of paper money in this country without some portion of it being secured against gold?—I think that issuers who had notes in the hands of the public would, as they valued their own solvency and their own position and existence as issuers, be bound to keep a quantity of gold for the purpose of meeting notes which might be presented.

6488. You would not propose any legislative enactment compelling issuers to keep gold against a certain proportion of the amount of notes issued?—That is a question upon which I am not prepared to give any definite opinion. I think that a good deal can be said on both sides of it.

6489. Do you think that it is altogether an advantage to reach the maximum of economy with regard to the difference between a paper and a gold circulation, and that there are not advantages in the fact of having gold circulating throughout the country?—If I could believe that the gold circulating throughout the country had an effect, which I do not think it has, upon the foreign exchanges, and was available to supplement the requirements of a drain, for example, I should agree with that proposition most decidedly; but I fear that the gold in circulation in the country in everybody's pocket and in everybody's tills, and especially in the bankers' tills, increases rather than diminishes whilst there is a foreign drain, and that you have a foreign drain aggravated into an internal drain.

6490. As a matter of fact, do you not find that where trade is bad, and when we have had a bad harvest, there is less gold circulating amongst the peope than there is in prosperous times?—It is natural to find it so.

6491. With regard to the answer which you gave to my honourable friend about the Bank of England, is it not a fact, in the first place, that the circulating medium of the country is quite sufficient for all the ordinary requirements of the country?—Yes, I think so; I think that the public have as many notes and as much gold as they can command and want.

6492. In a time of panic there ceases, does there not, to be the same circulation of cheques and other alternatives of the circulating medium, and consequently there is a greater strain upon the ordinary circulating medium of the country?—That is one of the features of every panic.

6493. Do you approve of the high rate of interest which is allowed by bankers on deposits in times when money is dear?—I think that bankers are bound to give their depositors a fair return for the money which enables those bankers to reap their large profits.

6494. Is it not a fact that when money is dear, a banker can employ a less amount of those deposits which are entrusted to him than when money is abundant, and that there being no expectation of any great demand for it, he must, in fact, keep larger reserves when there is a high rate of interest than when the rate of interest is low?—That depends entirely upon the position of the banker; if the banker is in the position of habitually keeping a much larger reserve available than what he considers necessary for his business; if, in fact, he has a plethora of deposits, then he will reap a very fine profit when high rates come round, because he will be able to manipulate his surplus funds, so as to employ them at higher interest.

6495. I think you stated that almost the total reserve of the country was that held by the Bank of England; is it not, in your opinion, desirable that each banker for himself should keep a much larger reserve than has hitherto been the case in legal currency in his own safe?—Either in his own safe or where it would be more available.

6496. Where it would not be employed again?—Where it would not be employed again. That is my point.

6497. With regard to the publishing of accounts,

Mr. *Backhouse*—continued.

counts, do you attach much value to the statements of accounts that are issued to the public without any details that can give you any clue to the character of the assets of the bank?—I attach very great value to the publication of the balance-sheets of joint stock banks, because although they do not give all the information which sometimes would be desirable, still the information which they give is considerable.

6498. With regard to the establishment of banks in Ireland, is it not a fact that the position of the Bank of Ireland is a very different position from that which any one bank in Scotland holds, and that the position of the circulation of the Bank of Ireland at the present moment enables the banks of non-issue to use that circulation, and, therefore, enables banks which have no power to issue to open branches in that country, and to compete with issuing banks?—I am not informed upon the subject of any allowance which is made by the Bank of Ireland.

6499. The Bank of Ireland being a bank in which the Government account is kept, and which has always held a peculiar position in Ireland, does not that give its notes some particular advantage, somewhat similar to that which Bank of England notes have in England?—It may in some degree; but that can afford no facility to non-issuing banks in using its notes as compared with the facility which they would have if they had the privilege of issue for themselves.

6500. But it places them much in the same position as non-issuing banks in England are in, which issue Bank of England notes, does it not?—Yes, I should think so; but I would be understood to guard any expression of opinion which I may give with reference to Irish banks by this remark; that I am not familiar with the practice of banking in Ireland.

Mr. *Hussey Vivian.*

6501. I think you suggested that the State should hold the reserve of bankers; of what nature would that reserve be; would it be bullion or would it be securities?—Bullion, or notes representing bullion.

6502. Bank of England notes?—Or State notes if the issue was transferred to the State.

6503. And you consider that the advantage of that would not be accessible to the ordinary operations of trade?—That is so. The balances of bankers are at present traded with by the Bank of England; if they were lodged with the State they would not be traded with, but they would be treated as a pure reserve.

6504. You think that the bullion in the Bank of England is inadequate to the great commercial transactions of this country at present?—I think so; the reserve of notes.

6505. I think you went so far as to say that you believed that it would be an advantage to a private banker to be able to issue notes if he deposited gold against those notes, which gold was actually ear-marked for the payment of the notes?—I did not go so far as to say that. What I said, I believe, was this: that it would be profitable to a banker to issue notes, even although he had to hold gold equivalent (I might have said "for," and hence the misapprehension of the honourable Member) to the amount of notes which he has in the hands of the public.

6506. Then you would not consider that it would be any advantage to the banker to issue notes against gold actually deposited by him in a state reserve; if he so issued notes he would be to a certain extent in the same condition as the Scotch banks are in now, namely, he would be able to keep notes in the various tills of his branches and only to deposit gold when those notes were actually issued; would not that be an advantage?—I think the honourable Member will see that in the case which he has supposed, the English bankers would not be in the same position as the Scotch banks are in now, because the Scotch banks are compelled to have the coin, but they do not lodge it with the State; they do not part with it, and in fact, I believe, Scotch banks do not hold any more coin than they would have to hold against their ordinary liabilities if they had not a single pound note issued in the hands of the public; and yet they have the advantage of that coin being regarded as a basis of increased issue.

Mr. *Hussey Vivian*—continued.

6507. You would propose, I presume, to introduce such a system as that into England?—I think not.

6508. You desire, if possible, to obtain the advantage of having the use of unissued notes for the working of your branches?—Yes.

6509. But you do not consider that it would be worth your while to purchase that advantage by the deposit of gold in a state reserve, such deposit only to be made when the notes were issued?—I have not gone into any calculation upon that point. I should very much question whether it would be worth the banks' while to lock up the money in gold merely for the sake of having the notes in the hands of the public.

6510. You would have the advantage of the unissued notes in your tills against which you had deposited no gold?—There would be an advantage, but it would be exceedingly difficult to work the arrangement; because, as the honourable Member will see, the amount of notes in the hands of the public would naturally fluctuate, and gold would have to be taken in and put out of the hands of the State department to answer and correspond with those fluctuations.

6511. Supposing that it were worked on precisely the same principle as the Scotch, namely, by a weekly return, would it not then be an advantage?—There would certainly be some advantage to the English banks. An issue that was based upon such a scheme as you propose would not be utterly valueless, but it would be not nearly so valuable as the present system of Scotch issues.

6512. Because the Scotch have in truth the advantage of issuing to an almost unlimited extent, simply against gold which they hold for other purposes?—Yes; the bullion in the Scotch banks does double duty.

6513. And that bullion does not really represent the note in any way?—No.

6514. So that you calculate that the Scotch note has about $10\frac{1}{2}d.$ at its back, assuming the gold to be only liable to a proportion of the whole of the liabilities of the bank?—Under the scheme which the honourable Member suggests, the gold, as I understand it, would be locked up against the actual amount in circulation. Not only would that gold be beyond the control of the bank, but the bank would have to keep such a quantity of gold as might be necessary to cash the notes when they were presented for payment,

Mr. *Durn.*

1 July 1875.

Mr. *Dun.*

1 July 1875.

Mr. *Hussey Vivian*—continued.

ment, so that there would have to be almost a double amount of coin held, or not absolutely a double amount, but half as much again, perhaps. For the advantage of circulation in the hands of the public to the extent of 100,000*l.*, there would be absorbed by the bank, sunk unprofitably, say, a sum of 150,000*l.* in bullion.

6515. But you would consider it a great advantage if you could deposit Government securities against the issue of notes, would you not, because those securities would be bearing interest at the same time that they were representing the note issue?—That would be an advantage, certainly; but there are a good many complications connected with such a system. It would be a much simpler method to make the issues a first charge upon the estate, and I do not think that it would be inequitable as between depositors and note holders.

6516. You do not think that it would be inequitable as against depositors?—I think not.

6517. You stated that the banking system now is better than it was in 1844, but did not the gold in 1844 represent a much larger per-centage on liabilities than it does now in banks in general?—Yes; because since 1844 there has been a great extension of what you may call deposit banking.

6518. Do you consider deposit banking safe?—Yes, when it has a substratum of a sufficient amount of capital and proprietors' funds.

6519. And that I think you have defined as 20 per cent.?—I think I remarked that I should be very sorry to lay down a hard-and-fast rule. Much would depend upon the character of the business of the bank, upon the position which it occupies in the country, whether it is in a rural district or in an urban district.

6520. It has been stated in evidence before this Committee that banks representing a very large amount have only 11·28 per cent. of capital in proportion to their deposits; do you consider that a desirable condition of things?—That, I presume, refers to the eleven London joint stock banks. On what I may call purely scientific principles I should be disposed to say that it was too small. I should be very sorry to point to any individual bank and say that it was too small, but I think that the average is too small. At the same time in saying so, I would be distinctly understood to say that the amount of the proprietors' funds relatively to the liabilities cannot be taken as the sole test by any manner of means. Another test which must be taken along with it is the amount of readily available funds which a bank keeps to meet any demand that may be made upon it.

6521. What proportion do you think of first class securities and bullion should be held to liabilities?—That again is a difficult question to answer, because it depends very much upon the position which the bank holds in the country; but one-third of the liabilities to the public, it seems to me, should be held in cash, first-rate Government and other securities, and otherwise employed at call or within short notice.

6522. You are well acquainted with the Scotch system, and also with the English system of banking. Will you shortly state the difference between the Scotch system and the English system of banking, irrespectively of the note issue?—I do not know of any difference in the practical transactions with the customers, if that is what the honourable Member refers to.

Mr. *Hussey Vivian*—continued.

6523. I mean the whole system of banking, irrespectively altogether of the note issue; do they keep larger reserves, or do they discount more or less, or is there, in point of fact, any peculiarity in the Scotch system which has been so much vaunted, or are not the two systems precisely and identically the same?—I know that the operations which I assist in conducting in Lancashire are precisely the operations which I used to see conducted in Scotland. We make advances to our customers, and we take from them letters of guarantee by friends, very much to the same purpose as the Scotch cash credits are, and we also advance money; and we have this advantage, I think, in banking in England which Scotland has not, that we advance money upon the deposit of title deeds, which forms an equitable mortgage upon property.

6524. Generally speaking, there is no great and radical difference between the Scotch system of banking and the English system of banking, is there?—I think none.

Mr. *Beckett Denison.*

6525. You have had experience in Scotland as well as in England?—Yes.

6526. Were you in Scotland as a banker at the time the Act of 1845 was passed?—Not as a banker.

6527. Do you know whether it was at any time during the discussion which went on in Scotland, proposed that the gold to be held against the extra issue of notes should be hypothecated for that issue?—I cannot answer that question.

6528. You have said more than once that you are in favour of all banks in England having power to issue notes in proportion to their paid-up capital?—Yes.

6529. Your words are, I think, "to issue notes to an amount not exceeding, say, one-half of its paid-up capital against the deposit with the State, of English Government securities for an equivalent amount, with a margin of, say 20 per cent., to cover possible depreciation, on condition of always holding coin, or Bank of England notes, to the amount of say one-third, or one-half of its notes in the hands of the public." You are perhaps aware, from the returns which have been given to this Committee, that, in the case of the 36 issuing joint stock banks in England and Wales, the actual issue in 1874 was only 4 per cent., in proportion to the amount of deposits held by those 36 banks?—I am not cognisant of the figures, but I am quite willing to assume that they are correct.

6530. Wherein do you think would be the advantage to the public in calling upon banks to find security for the note issue as against the deposits, giving the note issue rather a preference over the deposits of the country?—I think there is a preferential claim on the part of the public founded on justice, because, as I have already stated in answer to a previous question, the note holder is, you may say, an involuntary creditor, whilst the depositor is a voluntary creditor.

6531. From what point of view is the note holder an involuntary creditor?—He takes the notes because they pass current in his district. If he is a shopkeeper, and he refuses a local note, his

Mr. *Beckett Denison*—continued.

his customer will most probably go and take his business elsewhere.

6532. With regard to your suggestion about the note issue being in proportion to the paid-up capital, I will call your attention to what Sir Robert Peel said, on that very point, in 1845. He said: "But let me tell the honourable gentleman that it is quite clear he is of the old school of political economists, who think that the prosperity of a bank depends upon its paid-up capital. He says that certain banks have a paid-up capital of 10 millions, and he proposes that their circulation should bear some proportion to the paid-up capital; now, let me say that nothing can be more unsound than that doctrine. There would be no security for the business of banking if the principle were once admitted that without reference to the exchanges, without reference to investigation, and only by the establishment of a bank with a great amount of paid-up capital, there should be an issue of promissory notes. I daresay the honourable gentleman would think that that was quite safe, if a bank with 10 millions of paid-up capital should issue five millions of promissory notes"?—But the honourable Member will recollect that that had reference to an issue which had no other guarantee whatever, was no preferable claim upon the capital, and was not fenced round by any other restrictions, except in reference to the amount of paid-up capital; and Sir Robert Peel, it was well known, did not regard favourably joint stock banks, though the joint stock banks have, since Sir Robert Peel's time, amply vindicated their claim to the confidence and support of the public.

6533. Would it not also be important to remember that the deposits of the country have multiplied something like 250 times what they were in those days?—They are very much multiplied, certainly.

Mr. *Beckett Denison*—continued.

6534. In point of fact, cheques have very largely taken the place of bank notes, have they not?—They have; but not as till-money, of course. It is the power of unissued, but issuable, notes which, I think, is the magic power of circulation.

Sir *John Lubbock.*

6535. With reference to the question of Irish banks, would you have the goodness to look at the Banking Almanack, and tell the Committee what is the paid-up capital of the Bank of Ireland?—The paid-up capital of the Bank of Ireland is 3,000,000 *l.* in Irish currency; that converted into English currency is equivalent to 2,769,230 *l.*

6536. What is the paid-up capital of the Munster Bank?—The paid-up capital of the Munster Bank is 350,000 *l.*

6537. Therefore the capital of the Munster Bank is about one-ninth of that of the Bank of Ireland?—That is so.

6538. And consequently the amount of profit which would pay 12 per cent. upon the capital of the Munster Bank would only pay 1½ per cent. upon the capital of the Bank of Ireland?—I have not calculated your figures, but I have no doubt that that is so.

6539. In answer to the honourable Member for Stirling, you admitted very fairly the hardship of requiring the National and other Scotch banks which have established themselves in England, either to retire or to abandon their privilege; but, on the other hand, you consider that to allow those highly privileged banks to compete with the English banks in England is a still greater hardship; that is your position, is it not?—I think so.

Monday, 5th July 1875.

MEMBERS PRESENT:

Mr. Anderson.	Mr. Goschen.
Mr. Backhouse.	Mr. Sampson Lloyd.
Mr. Balfour.	Sir John Lubbock.
Mr. Campbell-Bannerman.	Sir Graham Montgomery.
Mr. Chancellor of the Exchequer.	Mr. Mulholland.
Mr. Beckett Denison.	Mr. William Shaw.
Mr. Orr Ewing.	Mr. Hussey Vivian.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. THOMAS COOKE, called in; and Examined.

Mr. *T. Cooke.* 5 July 1875.

Chairman.

6540. YOU are, I think, Chairman of the Manchester and Liverpool District Bank?—Yes.

6541. That is not a bank of issue, is it?—It is not.

6542. How long have you been chairman?—I have been chairman or deputy chairman since 1859.

6543. When was that bank first established?—I think in 1829.

6544. Is it a bank of limited or unlimited liability?—It is a bank of unlimited liability.

6545. Where is your head office?—In Manchester.

6546. How many branches have you?—Fifty, I believe.

6547. Where are they?—They are chiefly in Lancashire and Cheshire, and some in Staffordshire, Shropshire, and Derbyshire. Nine of them are not daily banks, but are only open for one or two days a week.

6548. On market days, I suppose?—Yes. The others are open the week through.

6549. Do you pay a separate license for each branch?—No, I believe not. I do not think that we are liable to any license. I have never heard of our paying anything, and we have opened branches quite recently.

6550. What is the amount of your paid-up capital?—£. 905,000.

6551. What is the amount of your deposits?—About 12,500,000*l.*

6552. What proportion do your reserves bear to your liabilities?—The last time that I looked into it the proportion was about 12 per cent.

6553. What do you include under the term "reserves"?—In giving the proportion as 12 per cent., I include only our paid-up capital and reserved profits, or rest. We generally have a very large amount of cash in London, but it is all lent at call, or short notice; we have always a very large sum in our own tills, and in the branches of the Bank of England in Manchester and Liverpool. The average last year of the money in our tills and the two branches of the Bank of England was 738,000*l.*, which sum is absolutely necessary for the working of the bank. Including these two, our "reserves" at Christmas last were equal to 34 per cent. of our liabilities to the public.

Chairman—continued.

6554. Have you any proportion of your capital not called up?—Yes, one-half of it is not called up; the shareholders are liable to the directors for 905,000*l.* more; but the bank being an unlimited one, of course the shareholders would be liable to a liquidator to the extent of their property. The directors have no power under the trust deed to call up more than as much as is already called, viz., 10*l.* a share.

6555. Do you keep any part of your reserves at the Bank of England?—Yes, we have generally a considerable reserve in the Bank of England in Manchester, and also in the Bank of England in Liverpool.

6556. Do you keep any account at any other of the branches of the Bank of England?—No, we have no account with any other part of the Bank of England establishment; we have no account with the Bank of England in London, though our money is paid in there in order that they may give it to us in Manchester, through their branch there.

6557. Then your account is kept with the Manchester Branch of the Bank of England?—Yes, that is our chief account; but we have also an account with the branch of the Bank of England in Liverpool, which our manager there deals with.

6558. Do you experience any difficulty in exchanging at the Manchester and Liverpool branches of the Bank of England, Bank of England notes issued in London, or at other branches of the Bank of England?—We rarely ask the Bank of England in Manchester or Liverpool to change London notes, or the notes of any of their other branches, because they are not legally obliged to pay them there, but we have no difficulty about dealing with such notes. If they are of denominations to suit our customers we pay them away, and they are never objected to. If they are dirty, far worn, or of unusual denominations,

Chairman—continued.

nations, such as 1,000 *l.*, which the Bank issues only in London, the branches will receive them and put the amounts to the credit of our banking accounts; but of course they would not do that for persons not having banking accounts with them.

6559. Have you heard any complaints on the part of the public, or in any other way, as to the inconvenience arising from the branches of the Bank of England not cashing Bank of England notes unless they are issued at the particular branch at which they are presented?—Occasionally slight inconvenience arises to those who may have come to Manchester with the notes of some other locality in their pockets, and such people are introduced to us, and we are asked as a favour to cash the notes for them; but those are not frequent occurrences. Of course it would be a convenience to everybody if the Bank of England cashed its notes indiscriminately at each of its establishments, but I scarcely think it would be a fair duty to impose upon the bank.

6560. Do you make any charge for cashing a Bank of England note, if it is issued from some other branch than that in the town where it is presented?—Yes; if our customers pay into our bank notes of that kind, we make them, when they draw the money out, the usual banker's charge, by which we are paid for our services. It is the custom in the provinces, or at all events in Manchester, to allow interest upon all money paid into the bank, whether it is paid in as a deposit, or paid into a current account; we allow interest from the next day upon everything paid in, and inasmuch as no London banks do that, nor any Scotch bank, to the full extent that we do, we need to charge a commission to remunerate us for our banking services.

6561. If 100 *l.* were paid into your bank in Bank of England notes, issued, let us say, by the Plymouth Branch, should you immediately allow interest upon that 100 *l.*, without making any deduction?—Yes.

6562. Although those notes would not be cashed at the branch bank at Liverpool?—Yes.

6563. You would not treat Bank of England notes issued from the Plymouth branch of the Bank of England in any way different from that in which you would treat Bank of England notes issued from the Manchester branch?—No.

6564. What dividend has your bank paid to your shareholders during the last three years?—I believe that we have paid 20 per cent. to our shareholders for something like nine years; and the same every year.

6565. Is your circulation entirely composed of Bank of England notes and gold?—Entirely.

6566. Do you find that that circumstance materially circumscribes your ability to afford all reasonable banking accommodation to your customers?—I do not think that it does; of course we cannot do what the Scotch bankers can do; their privileges of issue, which are very valuable in themselves (I mean directly), are of immense value to them in facilitating the establishment of their branches; one great cost of every branch to us is the idle money that we must have there upon which we are paying interest; the Scotch banks, making their own notes, do not lose that interest which we lose.

6567. Comparing yourselves for the moment, not with the Scotch banks, but with the English issuing banks, do you consider that an English issuing bank has an advantage over you?—Decidedly; but not to such an extent as the Scotch banks have, because the issues of the English banks are more restricted, whereas I take it that the issues of the Scotch banks are practically unlimited; they have a monopoly; no bank can be established in opposition to them, because no bank can live in Scotland without the power of issuing; and in all important places great numbers of them are congregated, and they have very great facility at the end of the week, before they make their return to the Government, of putting out of sight, out of the term "circulation," if I may so express myself, a very large portion of the notes that have been in circulation during the week; I do not know to what extent the circulation of the Scotch banks is so hidden by those weekly exchanges, but I suspect it is to a very great extent, and I think it is most important that everybody dealing with this subject should know what is the amount of those weekly exchanges; it is very important also to the whole commercial community to know that, for if the sum is as large as I suspect, it bears a very large proportion to the whole circulation of the country, which every commercial man ought to be acquainted with.

6568. I wish to ascertain whether you consider that there is any difference in kind between the advantage which the Scotch banks have over you, and the advantages which the English provincial banks of issue have over you; there may be a difference in degree but is there any difference in kind?—I do not see any difference in kind; the difference is only in degree.

6569. Do you see any reason to complain of the advantage which the provincial banks of issue in England have over you?—It has always appeared to me a somewhat unfair privilege for them to enjoy, but I do not think that the non-issuing banks suffer from it to such a degree that they would have been moved into any activity against it, but for the incursion of the Scotch banks, which is a very different thing. There is this also to be said as regards the English provincial issues; that they are gradually decreasing, and year by year, partly by that decrease, and partly by the increased number of non-issuing banks, bearing a very much smaller proportion to the whole of the circulation of England.

6570. Was your own bank at any time a bank of issue?—Yes, it was a bank of issue from its establishment in 1829 until 1844; and you will find, I think, that it is one of the banks scheduled in the Act of 1844 as having consented to take a composition, or an annuity to be paid by the Bank of England on the part of the Government to all those banks that were willing to forego their own issues and issue Bank of England notes.

6571. How was that annuity calculated?—We were offered an annuity of 1 per cent. upon the then amount of our issue, or a discount account with the Bank of England to the same amount. That was at 1 per cent., I think, under the Bank of England published rate, but the account was at all times to be kept full. In our case the amount of issue was 69,000 *l.*; our annuity which we took in preference to the discount account is 690 *l.* a-year, which is paid to this day. If we had taken the discount account we should have had to keep under discount at all

Mr. *T. Cooke.*

5 July 1875.

Chairman—continued.

times, to entitle us to the low rate, 69,000 *l.* of bills. I may say that that annuity was not the inducement to our bank to give up its issue. From what had occurred between 1833 and 1844, chiefly I think in the year 1839, when a great number of Manchester banks of recent formation failed, those who at that time had the management of the bank with which I am connected, had come to the conclusion that those issues were a source of weakness in all times of commercial disaster.

6572. Do you still retain the impression which you then had that issues are a source of danger to provincial banks?—Yes, most strongly.

6573. Was it your impression at the time that the Act of 1844 was passed, that it was in the contemplation of Parliament to extinguish, within some period not very remote, the right of issue of provincial banks?—I have read with a very great deal of care the Parliamentary proceedings in connection with those Acts. I do not find it stated anywhere distinctly by Sir Robert Peel that it was his intention to put an end to all private issues, all issues except that of a national bank, but I think that there can be no doubt at all from what he says, that he considered one bank of issue the right principle; that he did not at once resort to the establishment of one bank of issue out of regard for old practices and old institutions, and even prejudices, which he said ought to be regarded. But he enacted that Parliament should have power in 10 years to reconsider the measure; and I take it that he hoped that by that time the country would see the advantages derived from his legislation, and the basis upon which it was founded, and would be reconciled to carrying the principle of the Act further.

6574. Were you connected with the management of this bank at the time when the Act of 1844 was passed?—No, not until the end of 1858.

6575. Then you do not remember, as a matter of fact, whether in considering whether they should surrender the right of issue the managers of the bank, at that time, took into account the probability, or otherwise, of the provincial issues being terminated in a certain time?—The bank, I think, contemplated withdrawing its issues before the Act was passed, and therefore when they were applied to, as I suppose all banks of issue would be, as to whether they would accept an annuity or a discount account, and issue Bank of England notes in place of their own, they at once accepted the annuity. I do not know that of my own knowledge, and unfortunately all of the gentlemen, I may say, who were connected with the management of the bank at that time are dead, and therefore what I state is from the traditions of the bank.

6576. Have you any other point to urge in objection to the establishment of branches of Scotch banks, either in London or in England?—I think if they are allowed to establish themselves in the provinces they will be most unfair competitors, and I think I can satisfy the Committee that that must be so. The Scotch bankers admit that this privilege of issue which they have, is the thing which has enabled them to establish such an immense number of branches, altogether disproportionate to the branches of English banks, and we English bankers know that if it were not

Chairman—continued.

for the loss of interest upon the money that we must keep at every branch, we could establish a great many more. I do not know what the direct profit of the issues is to the Scotch banks, I can only estimate it from the position of my own bank. The interest allowed on deposits is somewhere about 1 per cent. under the Bank of England rate. From 1844 to the end of last year the Bank of England rate had averaged as nearly as possible 4 per cent, and therefore it may be taken for granted that the interest that we allow for deposits on the average of a number of years, is 3 per cent., about 1 per cent. under the Bank of England rate. I stated a short time ago that we cannot work our bank with less than 700,000 *l.* lying idle in our tills. For that 700,000 *l.* we pay 3 per cent., the Scotch banks would pay nothing for such a sum, but there is a further profit upon the issues. Where the public have faith in them, and treat them as money, they are as good a source of banking profit as any other capital employed in the bank. As the profit of my bank upon the whole of the resources with which it works is about 1½ per cent., if I had the Scotch power of issue, in addition to saving the 3 per cent., I should get a profit of 1½ per cent., which would make the issue worth to me 4½ per cent., less the cost of the notes and the stamps, and the licenses, which I saw had been stated by one of the Scotch witnesses here, cost the Scotch banks altogether about two-thirds per cent. £.40,000, I think it was stated, was the cost in stamps and licenses to the whole of the Scotch banks, and their declared issue is somewhere about 6,000,000 *l.*

6577. I understand your argument, as far as relates to the advantage which the Scotch right of issue gives them in establishing branches in Scotland, where they can use their own notes; but how does that apply to their establishing branches in England, where they cannot use them?—They made no attempt to establish branches in England, so long as they were a poor country; but now, through this privilege of issue, they have established so many branches that they have collected deposits to an amount that they cannot employ in Scotland, and it is to employ that money in England that they are seeking to establish branches in London and in the provinces.

6578. They bring Scotch capital, and employ it for banking purposes in England?—Yes.

6579. Is that any disadvantage to England?—Yes, when they come into competition with me, my capital costing so much more than theirs.

6580. It is a disadvantage to the English banker, but not to the English public, I suppose?—No; but then I do not think that the British public have a right to do an injustice to get an advantage. If so, if a large enough body of men were to pick my pocket, you might say that the public were benefited; but surely nobody would be so immoral as to wish to have a law to justify such a thing.

6581. But do you mean to say that you have a right to be protected against the competition of any body of persons who appear to have accumulated a large capital which they wish to employ in banking purposes?—I think that we who have by law no privilege at all of this sort ought to be protected from the competition of those who have those privileges, we all being under the same government.

6582. How

Chairman—continued.

6582. How far do you carry that? Supposing that they had accumulated capital in any way excepting banking, would you say that they had no right to come and use that capital in establishing banks in England?—If they had obtained that capital without any special legislation to enable them to obtain it, and by means which are allowed to all other portions of their fellow-countrymen, then I should say that nobody had any right to complain. But to bring that capital here which they have been enabled to obtain by some privilege given to them by the Government which has been withheld from me, is an injustice to me. It is equal to a subsidy on the part of the Government to one of the competitors and none to the other.

6583. You will admit, I suppose, that you must not mix up the two lines of argument: one that it is objectionable to give those companies who have obtained a large capital by certain privileges the right of competing with you and making use of that capital; and the other that the system by which their banking is carried on gives them certain advantages in establishing branches, because they are not required to use gold for the maintenance of those branches. So far as the maintenance of branches in England goes, they are on no different footing from English banks, are they?—If your question is whether if they were to establish branches in England, they would be subject to all the expenses that we are subject to, undoubtedly they would be. Of course, a bank cannot work without capital; it must be evident to anybody after my statement that we cannot work ours without an idle balance of 730,000 *l.* at all times. They would have this advantage, that if they brought their capital from Scotland it would have cost them nothing, or it might have cost them nothing, whereas ours would cost us 3 per cent. in the loss of interest that we pay for it.

6584. Supposing that you were thinking of establishing a branch, let us say, at St. Helen's, what would be necessary for you to do in order to establish that branch; what expense must you incur?—In the first place we should have to find the building; we should either have to rent a building or to buy one.

6585. Supposing that a Scotch bank were going to establish a branch in St. Helen's, they would have to do the same, I suppose?—Yes.

6586. Therefore there is no inequality in that?—No.

6587. What else should you have to do?—We should then have a staff of clerks.

6588. So would they, I suppose?—Yes.

6589. There would be no advantage there?—No.

6590. What else would you require?—The next thing would be to furnish the till, and then we should be ready for action.

6591. Can you name some imaginary sum which you would have to provide to carry on operations on a certain scale there?—In a place like St. Helen's I should say that we should need a balance of 4,000 *l.* or 5,000 *l.*, at all events.

6592. Supposing that a Scotch bank was going to establish a branch in St. Helen's on the same scale, they would probably require 4,000 *l.* or 5,000 *l.*, would they not?—Yes.

6593. Would they be able to get it on any cheaper terms than you could?—In Scotland they would.

Chairman—continued.

6594. But in St. Helen's?—No, not in St. Helen's.

6595. Then they would be on equal terms with you in the competition in St. Helen's?—Yes, for the deposits of that neighbourhood they would, but we should not have deposits the moment we established ourselves; those are of slow growth; I was speaking of the furnishing of the tills, and I assumed that we should each of us want 4,000 *l.* or 5,000 *l.*; if they brought their Scotch money it would have cost them nothing.

6596. By their Scotch money, do you mean their bank notes?—No, not their bank notes; but their bank notes are easily convertible into such notes as they would have to issue in England; they are easily exchanged; for instance, if a Scotch bank had to do that, it would, in all probability, discount some of its bills in London and get Bank of England notes, and send them down to St. Helen's.

6597. In that way, it would be reducing by 4,000 *l.* or 5,000 *l.* the capital which it might otherwise be employing in Scotland, would it not?—Yes, but I take it for granted that they would not come to carry on a bank in England if they had full occupation for their money in Scotland.

6598. But supposing that they have money to spare, and that they choose to employ that money in setting up a branch bank at St. Helen's, have they any kind of advantage over you except this: that they have some capital which they can spare, which you may perhaps not find it convenient to you to spare?—The money costs me 3 per cent.

6599. Does not theirs?—No, it costs them nothing, because they make it themselves; I have to borrow mine from other people.

6600. But they must have some 4,000 *l.* or 5,000 *l.* in gold, or in Bank of England notes, and how are they to get them?—Yes; but that costs me 3 per cent. to get, and theirs cost them nothing; because they make their own notes in Scotland, and by means of making those notes, they have established all those branches which have provided them with this superfluity of money.

6601. Then do you mean that they have an unlimited power of making as much money as they please by the issue of notes in Scotland, and taking that money out of Scotland?—I take it that they have an unlimited power of issue, if they will all extend their issues *pari passu*, because at the end of the week they would put all the excess out of sight by exchanges.

6602. With regard to the business which the Scotch banks transact in England, are you aware of any difference between the system on which they conduct their business, and the advantages which they give to the public, and the system upon which the English banks conduct theirs?—I am very little acquainted with the Scotch system of banking; I believe that we learned our system from the Scotchmen, but how far we have departed from the Scotch system in practice I do not know. Our bank was established under the influence of Scotchmen.

6603. You do not know whether they transact their business on cheaper terms than English bankers?—I do not think that they do; but I cannot tell without examining their accounts.

6604. Do you consider that England is underbanked?—I think that it is very much over-

Mr. *T. Cooke.*

5 July 1875.

Chairman—continued.

banked at present. I was applied to a couple of days before I came here to receive the money deposited for shares in a new bank to be established in Manchester; but I am sure there is no room for one; it will only do mischief. And we are certainly overbanked in London; when you look to the enormous quantity of discount banks that there are in London, and at what is occurring in the City at this particular time, I think that it is very clear that there has been sadly too great a facility given for the discounting of bills which represent nothing except possibly the losses in trade.

6605. Then you would not consider that any legislation which might have the effect of somewhat reducing the amount of banking accommodation, was on that account objectionable?—I attribute the undue increase of banks since 1862 to the unfortunate passing of the Companies Act of that year, which allowed the principle of limited liability to be made applicable to banking.

6606. Do you consider that the banks which have now a right of issue in England, are entitled to retain their right of issue, or that they hold it subject to any legislation which Parliament might think fit at any time to adopt?—I have seen the term "inheritance" applied to the privilege of issue in England, but it seems to me a misapplication of the term. I think that when we have seen Parliament dealing, as it has done, with the power of issue, and restricting it as it has done in 1844, it is fair to assume that it is a privilege which ought only to be allowed so long as it is not injurious to other interests.

6607. Supposing that Parliament were of opinion that it was not fair to retain two kinds of banks, one privileged to issue, and the other forbidden to issue, and wished to put all classes upon an equality, which should you think the fairest way of doing it, taking away the right of issue from those who had it, or extending the right of issue to those who had it not?—I think that it is fair for Parliament to do anything which is for the advantage of the community at large. If you should ask me which I should consider the more advisable course of the two, I should say most distinctly that the abolition of all private issues was the best way to put us on an equality.

6608. You mean joint stock issues as well as private issues, of course; you mean all except the Bank of England, as the agent of the State?—Yes; I mean private issues, as distinguished from the issue of the Government, or of a national bank.

Mr. *Backhouse.*

6609. Would you include the Scotch and Irish issues?—Yes; but I should not like you to assume that I should be desirous of doing that at once, by the stroke of a pen; I should consider that extremely slap-dash and unwise legislation. If anything of that kind has to be done, it will have to be done with the utmost judgment and care, and with all that sagacity which Sir Robert Peel exercised when he passed the Act of 1844. I think that when we look back at his sentiments at that time, we shall find that he was a much wiser man in 1844 than a great many of us are in 1875, and better informed upon this subject.

Chairman.

6610. With regard to the issue of 1 *l.* notes what is your general view?—I should regard an issue of 1 *l.* notes with almost horror. I am old enough to remember the year 1825 (I was then about 15), and I recollect distinctly the consternation which existed in Manchester at that time through the almost universal discredit which was thrown upon bank issues. I have heard it commonly remarked that when people went to their business during that year, they did not inquire what banks had broken, but what banks were standing; I think that about 70 banks broke at that time, and all because there was a run upon them for gold for their notes; they emptied the bank of England till to get the gold, and the Bank of England was within 48 hours, I believe, of stopping payment. If it had not been for the arrival of a box of sovereigns that was found in the Bank of France, and their being forwarded between Saturday night and Monday morning, I believe it is an historical fact that the Bank of England would have stopped payment on the Monday morning; and ultimately it relieved itself, I believe, by an issue of 1 *l.* and 2 *l.* notes.

6611. We are aware, of course, of the difficulties of that year; that was under a system of banking differing in many respects from the present, especially with regard to the limitations on the right of issue. Do you consider that, subject to the present restrictions upon the amount of issue, there would be any danger in allowing part of that issue to take place in 1 *l.* notes?—If I understand the terms upon which it would be done to be that every man who issued a 1 *l.* note should have a sovereign in the hand of a trustee ready to redeem the promise on the note, I should say that there is no great objection to that upon principle, but I think that it would be a great deal better to have them all issued by one bank. You would want returns from all those people who issued them, and they would have to satisfy you in some way or other that they deposited the gold, and it would be a great deal easier to look after one bank than it would be to look after the 300 banks which there are in England.

6612. But supposing no other change to be in contemplation in the present system, and supposing that the banks which now have a limited right of issue, retain that right within the same limits as at present, should you see any reason why a bank having a right of issue, let us say of 10,000 *l.*, should not be allowed to issue a certain number of 1 *l.* notes instead of one-fifth of that number of 5 *l.* notes?—I do not see that there would be any advantage in it at all to anybody.

6613. But do you think that there would be any disadvantage?—I think that it is a vast deal easier for ordinary people to ascertain whether a sovereign is genuine than it would be to ascertain whether a 1 *l.* note is genuine, and I believe that it is on record that when the Bank of England issued 1 *l.* notes they were forged to a very great extent. The notes of other banks were not so much forged, because they circulated in their own special district, and there was not so large a field for passing off their forged notes as there was in the case of the Bank of England forged notes, the latter being in use throughout the whole country.

6614. So that if there should be an issue of 1 *l.* notes, it would be safer that they should be issued by the provincial banks than by the Bank of England?—As regards the forging of them, I have

Chairman—continued.

have stated what I believe is a matter of history; that is to say, that the Bank of England notes were more forged than the private notes; but I cannot understand what can be the motive for issuing 1 *l.* notes.

6615. That is another question; do you consider that the right of issuing 1 *l.* notes is an advantage to the Scotch and Irish bankers?—No doubt; because if they did not issue 1 *l.* notes they would have to issue sovereigns, and sovereigns would cost them a great deal more.

6616. If it is an advantage to the Scotch and Irish bankers, do you consider that it would be an advantage to the English bankers to have the same right?—Yes; the bankers would have the same advantage; but I should like it to be understood that I am not speaking of the advantage to the community.

6617. I am now speaking of the possible advantage to the bankers; you think that it would be an advantage to the English bankers if they had the right of issuing 1 *l.* notes?—Yes; but not if they were bound to keep gold to the same amount, as a special asset to meet those notes; without which I should say that it would be a most dangerous innovation.

6618. When the right of issing 1 *l.* notes was taken away from the English bankers, as it was in 1826, do you consider that they lost something which was of value to them?—I cannot tell, because every now and then their notes were discredited, and there came a run upon them; and they must have made great sacrifices to meet the run; and therefore, supposing that there is a profit on the ordinary issue of notes, I think that there may be many set-offs against it which would greatly reduce that profit.

6619. They were not considered to be entitled to compensation on that occasion for surrendering their 1 *l.* note issues, were they?—I never heard of any compensation being given to them.

6620. Do you think that it would be of advantage to the public that the provincial issues throughout England should be absorbed in one system of national issue?—Most decidedly.

6621. Will you state why you are of that opinion?—It is a most important thing to a country like this, whose foreign commercial relations are so extensive, that it should be aware at all times when the necessity of commerce renders an export of gold necessary.

6622. And you think that that would be more easily regulated under a single system of issue than under a system of issue conducted through various independent banks?—Yes; I should like to make this further remark; that the export of gold would more extensively and directly affect the prices of other commodities. The way in which the cessation of an export of gold of that kind is brought about is this; that as the gold diminishes here the prices of commodities must necessarily go down until they reach a point when the creditor abroad says, "Now, I would rather have your commodities than your gold; send me no more gold but send me the commodities." Then the prices of commodities have been adjusted by the export of gold.

Sir *John Lubbock.*

6623. I think your bank does not accept foreign drafts to any great extent?—No, to a very slight extent; we cannot altogether avoid it as it is so common, but I think we were under acceptance altogether at Christmas last to the amount of only about 150,000 *l.* by ourselves and our agents.

6624. You think, therefore, as I gather from that, that it is undesirable that a bank should be largely under acceptance for foreign credits?—I should like to see such a law in this country as I have heard there is in Germany, that bankers should not be allowed to accept bills. I think when we look at the enormous debt that they owe to their depositors, they push their credit far enough without undertaking to pay other people's debts, which is the practical effect of accepting bills.

6625. One honourable Member has argued that it is desirable that the Scotch banks should be allowed to come to London, because it would enable them to accept bills from India and from foreign countries to a large extent; I presume that you would consider that a disadvantage rather than an advantage?—Yes, and I think they are entering on a very dangerous business, judging from what I see at the present moment.

6626. Your bank, I presume, uses the country clearing, in collecting drafts drawn upon different parts of England?—Yes.

6627. You are not charged any commission for any drafts that are collected through the agency of the country clearing, are you?—No.

6628. If one bank had to pay a charge upon such transactions, and another bank had not to pay the charge, of course the bank which had to pay the charge would be placed at a considerable disadvantage, would it not?—Decidedly.

6629. I think Messrs. Woods & Company have given you some information with reference to the circulation of Scotch bank notes in Northumberland, have they not?—They have.

6630. I believe they have six branches at places where there are no Scotch banks, and one at a place where there is a Scotch bank, have they not?—Yes.

6631. How much is the weekly receipt of Scotch notes in the whole of their seven branches?—They receive in Scotch notes 3,200 *l.* a week, which notes they forward to Scotland for payment. Of those, all but 50 *l.* to 60 *l.* are received at Berwick.

6632. Where are the branches situated?—The six branches are: Newcastle, North Shields, South Shields, Sunderland, Seaham Harbour, and Blyth.

6633. How much do they take on an average at each of those branches?—At those branches they receive 3,200 *l.* a week of Scotch notes.

Mr. *Campbell-Bannerman.*

6634. Does that include Berwick?—Yes, it includes Berwick; exclusive of Berwick, it is 50 *l.* or 60 *l.* a week; that is the weekly average of notes for the last two years.

6635. How much is it at Berwick then?—I take it, that if you deduct 60 *l.* per week from 3,200 *l.*, that would give the amount. You will understand that this was given to me the other day, and I have not had an opportunity of asking any questions about it.

Sir *John Lubbock.*

6636. Mr. Gairdner has put in a paper in which he estimates the relative charges of Scotch and English banks, by taking the relative amount of profits in proportion to their deposits; do you consider

Mr. *T. Cooke.*

5 July 1875.

Sir *John Lubbock*—continued.

consider that to be a proper mode of arriving at the amount of the charges?—I think it is a most fallacious test of the charges, and I think the statistics of the Scotch banks themselves show that it is. I have been at the trouble of ascertaining the per-centage of profit of a number of the Scotch banks (all whose accounts I can find) upon their banking resources, namely, their deposits, their capital, their reserves, and their notes, and I find that the per-centage of profit of the various banks is as follows: The Aberdeen Town and County Bank, 1·43 per cent.; the Bank of Scotland, 1·38 per cent.; the City of Glasgow Bank, 1·24 per cent.; the Clydesdale Bank, 1·67 per cent.; the Commercial Bank of Scotland, 1·43 per cent.; the National Bank of Scotland, 1·43 per cent.; the North of Scotland Banking Company, 1·38 per cent.; the Royal Bank of Scotland, 1·50 per cent.; and the Union Bank of Scotland, 1·37 per cent.

6637. It would appear from that that although the charges in all cases are the same, the profit varies between 1·67 per cent. in the case of the Clydesdale Bank and 1·24 per cent. in the case of the City of Glasgow Bank?—The way in which I am disposed to speak of it is this: that it is impossible to believe that the charges of those banks can be proportionate to the profits, which was the way in which Mr. Gairdner wished the charges to be tested. I observe that the profit of the Clydesdale Bank, which is our chief enemy, it having invaded us, is 1·67 per cent., and the profit of the Union Bank of Scotland, which is Mr. Gairdner's, is 1·37 per cent. The difference between them is three-tenths per cent., that is to say, three-tenths per cent. on 1·37.

6638. That is really over 20 per cent.?—It is approaching 25 per cent. If it were exactly 25 per cent. Mr. Gairdner would ask you to believe that the Union Bank of Scotland charged its customers 4 per cent., and that the Clydesdale Bank charged its customers 5 per cent. for the same business, which nobody can believe; and therefore, it is a fallacious test. That is all that I wish to say about it.

6639. It appears from that, that though the rates of charge are the same, the rate of profit may vary 25 per cent.?—Yes. There is one bank which I did not mention in connection with that, but I think I may mention it, and that is the Manchester and Liverpool District Bank, my own bank. Its profit on all its resources is, 1·49 per cent., which is not very different from that of the Scotch banks, but then it is reckoned upon resources apart from the Bank of England notes that it issues. If I knew what amount of Bank of England notes we issue after the same manner as the Scotch Banks issue their own notes, the per-centage of profit to my bank would be very materially less than any of the Scotch banks, and therefore these per-centages of profit and the aggregate of profit of the Scotch banks are no test at all of the charges which they make to their customers.

6640. There is no doubt that a wide dissemination of banking facilities is a great advantage, but I think I gather that you are of opinion that, beyond a certain point, the multiplication of branches of banks is really no advantage to the public?—I think the extension of branches is an advantage to the public, if they are properly established and are conducted on a proper principle; but I should be very sorry to see more banks in England in consequence of our having the same facility for establishing them that the Scotch banks have, namely, an issuing power like the Scotch bankers, because I think it would be utterly inapplicable to the whole country, although it may work tolerably well in one corner of it, when it is aided by better institutions in this country.

6641. No doubt a wide distribution of banks is a great advantage to the country, but I presume that you would agree that beyond a certain point it merely leads to expense, and does not really confer a benefit upon the country?—Decidedly. I may say in illustration of my opinion, that if the Scotch banks were deprived of their power of issue, I think they would be able to meet the loss by economy in branches. For instance, having been frequently obliged to notice the village of Pitlochrie, in the Highlands, I have always thought that one bank might do there, whereas there are three; and supposing that they could agree amongst themselves to have only one establishment there, and to divide the profits, and make an amalgamation, they would be great gainers, and there would be a set-off against the loss of the profit on their issue.

6642. You have been asked whether the introduction of Scotch capital into England would not benefit the public; I presume that would depend upon whether the introduction of capital was sufficient to lower the rate of interest at all in this country?—Just so.

6643. The amount of money which is employed by the different English banks, has been estimated by some persons at as much as 600,000,000 *l.* or 700,000,000 *l.*, has it not?—I think that Mr. Dun has made some statement of that kind, but I have not looked into it. No doubt it is a very large amount.

6644. And therefore, even supposing that 3,000,000 *l.* or 4,000,000 *l.*, or 5,000,000 *l.* were to come from Scotland, it could not materially affect the rate of interest in this country, could it?—No, not at the beginning; but if there were a continual influx of it from Scotland; if the Scotch banks should be as successful in the next 20 or 30 years as they have been in the last period of that length in increasing their deposits, the effect would be greater; but at the same time we may assume that English deposits would increase somewhat.

6645. Therefore, from that point of view, you would consider that the rate of interest might decrease anyhow, but that the mere introduction of 2,000,000 *l.* or 3,000,000 *l.* of Scotch capital, could not affect the rate of interest in a country where there was already 600,000,000 *l.* or 700,000,000 *l.* available for the purpose of discounting Bills of Exchange?—It would not benefit the whole community, but it might make them very unfair competitors with some of us English bankers.

6646. But unless it affected the rate of interest, it could not benefit the community, could it?—No, certainly not.

6647. Do you not consider that the rate of interest in this country is practically in relation with that on the Continent; that is to say, that there are classes of bills which can be discounted either in Paris, or in Frankfort, or in London, and which are discounted in whichever of those markets it is found most favourable to do so?—Yes. I have myself been constantly applied to to know if I had any bankers' bills that I wished

to

Sir *John Lubbock*—continued.

to dispose of, as they were wanted for the Continent.

6648. Therefore the average rate of interest in this country depends upon the commercial transactions throughout the whole world?—Yes.

6649. And therefore the mere establishment of a few banks more or less in England could not possibly affect the rate of interest in a great commercial country like this?—No; we get capital from all parts of the world to employ here, and we must conform to the market price.

6650. Although you find fluctuations from one year to another, still, if you take a series of years, the average rate of interest is very nearly 4 per cent., is it not?—Yes, the Bank of England rate.

6651. And the other rates are regulated by the Bank of England rate, are they not?—Yes.

6652. Your general argument I conceive to be, with reference to the particular question which is before the Committee, that the English banks are practically prevented from establishing themselves in Scotland on account of the legislative advantages which the Scotch banks enjoy?—We could not possibly live there without the power of issue.

6653. And therefore you consider that, as the English banks are practically prevented from going to Scotland, it is only just that the Scotch banks should be prevented from coming to England?—Decidedly; it is nothing but just.

6654. Therefore you are in favour of the general policy of Mr. Goschen's Bill upon those grounds?—Decidedly.

Mr. *Anderson.*

6655. You said that the Scotch banks have a power of unlimited issue, provided they all extended their issues simultaneously; of course you mean that if they all extended their issues simultaneously, the balance of exchanges would remain the same; but is there any process by which all the Scotch banks could extend their issues simultaneously so as to preserve that equal balance of exchanges?—I take it that the cause which might induce one bank to extend its issues would in all probability act simultaneously on the others. It would be so, I am sure, in a great many cases; and I should almost think, provided all the banks were managed similarly, that they would all at the same time have the same motive to extend their issues.

6656. Could that cause be at any time anything else than the absolute needs of the public?—I would rather not speak of the needs of the public; I would rather speak of the public demand.

6657. Would not that cause be the demand of the public?—No doubt.

6658. Can a bank force its issues if the public does not really want them?—No; if the public will not take them, it cannot compel them to take them.

6659. I think you produced a table showing that the Clydesdale Bank makes more profit than the Union Bank of Scotland; may not that be because the Clydesdale Bank has been participating in the large profits which the English pastures afford?—No, I think it has not been in England long enough for the English profit to have yet had any effect at all upon the aggregate of its profits.

Mr. *Anderson*—continued.

6660. You probably think that that effect will come?—I think that it is likely enough.

6661. Would you not be content with the English banks being levelled up to the Scotch privileges?—No; I have the unfortunate tendency that is so common throughout the world to "level down," and I would rather level the Scotch banks down to the English privileges.

6662. Are there any restrictions which you wish to have removed from yourselves, the English banks?—No. I understood your question to be whether I would like to have myself levelled up to the Scotch.

6663. By removing your restrictions?—No, by giving me privileges; I have no restrictions that I know of.

6664. Are you not restricted from issuing notes?—Yes, but I am restricted as all other English bankers are in that respect.

6665. As all other non-issuing bankers?—Yes. There we are only disputing about a word. I know the meaning of your question, which is this: should I prefer to have the Scotch privilege of issue, or should I prefer to have the Scotch banks reduced to my level, by being deprived of their privilege? I should prefer to have the Scotch banks deprived of their privilege, because I think it would be better for the whole community.

6666. Do you wish to drive out of England the Scotch banks which have come in there?—Yes, I do.

6667. Do you not think that it would be unfair to deprive them of a business which they have created; have they not acquired a certain goodwill by their own enterprise?—They have not all come yet.

6668. But have not those that have come acquired it?—They have stolen a march upon their fellows, you know.

6669. But they have acted under the law, have they not?—Possibly; we do not know about that yet; but supposing that they are acting under the law, they have stolen a march upon their fellows.

6670. Have they done anything that their fellows were not equally entitled to do?—No, but they have preceded their fellows.

6671. How is that stealing a march?—They have marched rather faster; perhaps the others have been asleep while they have been marching.

6672. But it was publicly and openly done, was it not?—Yes, it was publicly and openly done.

6673. You cannot call it stealing a march, can you?—As I understood, you wished to know whether I should not think it very unfair to drive back the Scotch banks which have come here already and established a business.

6674. And to rob them of their goodwill?—I would not rob them on any account; I would say to the gentlemen, "If you have established a banking business here, you have established a business the goodwill of which is a very saleable article, sell the advantages which you have got, and take the money home with you;" that is not robbing.

6675. You would be disposed to do that; but you are aware, I suppose, that Mr. Goschen's Bill did not propose to do that, but that it provided no sort of compensation for robbing the banks of the business which they have created in London?—Nor am I asking the law to provide

Mr. *T. Cooke.*

5 July 1875.

Mr. *Anderson*—continued.

any compensation; I only say that those banks are in possession of that which they can sell; by coming to England they have got a saleable commodity, and when they get home, having sold it, they will find that they are so much better off than their fellows who have not been here, and therefore I say they have stolen a march upon their fellows.

6676. If Mr. Goschen's Bill were passed, driving them out, could they still sell that commodity?—I do not know; if they were obliged to go by law, I take it that they would still sell, because it is there, and they would be able to transfer it to some one else. If they left it behind them, and shut up their bank, there would be a scramble for it by all the other banks here, but if they had time given to them to negotiate, I have no doubt at all that they would sell the goodwill of their business, more particularly if they had been able to collect deposits here, because it is the goodwill of the deposits that makes the value of the goodwill of a bank. If you handed over a bank to any man without its deposits you would not hand over to him a very valuable property; but it is generally assumed that the deposits will go with the bank; that the bank will be sold to somebody as good as the seller, and that the depositors will transfer their deposits to him; and so in practice it turns out to be.

6677. Then you do not wish to have any change made in the present banking system in England, further than driving out your Scotch competitors?—I do not wish to see any hasty changes made in so delicate a subject, but I should like to see the principle upon which the Bank Acts of 1844–45 were based carried further. Whether this would be a desirable time to do it I do not know; but I think that it is a very proper subject to be in the minds of those who, either necessarily or voluntarily, have to take an interest in this subject.

6678. In what direction would you wish it to be carried further?—I should myself like as soon as possible to see only one bank of issue for the whole kingdom.

6679. Would you like to see a State bank of issue?—If it were practicable and convenient, I should like to see the State issue the notes in exchange for gold; but that would be extremely inconvenient, because it would compel every banker to hold a quantity of gold from which he would have to transmit to the Government office what he needed from time to time to convert into notes, but at great inconvenience. Whether a Government office could be split up and be at every banker's door, or thereabouts, I do not know; I am afraid not; therefore I think that there would be practical difficulties in the way of the Government being the issuers of notes. At present they are issued by the bank as the agent of the Government. All bankers can get notes from the issue department by taking gold there and exchanging it for notes; but practically we do not get our notes in that way; we get our notes through the instrumentality of the banking department of the Bank of England. Almost all London banks keep an account with the Bank of England, and if a country bank wants notes it sends probably to London something that can be converted into notes. But those notes must be got from some place or other, and ultimately somebody gets them from the Bank of England through the instrumentality

Mr. *Anderson*—continued.

of the banking account that he has with the banking department; and that is a very great advantage to us. It was not planned; probably Sir Robert Peel, who really understood this subject so wonderfully well, might know that that would be one of the advantages of issuing notes in the way in which they are issued; but it was not spoken of as a part of his plan or scheme. But it is one of the faculties of business to find the best way of conducting itself; and so, as I say, practically all bankers get their notes from the issue department of the Bank of England in exchange for gold, through the instrumentality of a banking account in the banking department of the Bank of England.

Mr. *Mulholland.*

6680. Do you not think that the banking department of the Bank of England might be conducted as it is, even if there were a State issue of notes, and that you could still get that State issue by means of the Bank of England banking department?—Not so readily, I think, though perhaps it might be done.

6681. I do not see why the banking department of the Bank of England would not be adequately supplied with the currency of the country, whether it came from its own issue department, or whether it came from a separate Government department; I fail to see the distinction which you have just been making?—All banks make great use of the Bank of England; it is the bank of the bankers. You are aware that all the London clearing house banks pay and are required to pay the balance of their account by a cheque on the Bank of England.

6682. I am quite aware of that; but I understood your position to be that you were enabled at present to get bank notes through the banking department of the Bank of England; but that you would not be able to get bank notes through the same banking department if those notes were issued not by the issue department of the Bank of England, but by a Government issuing office?—I doubt it; I doubt very much whether we should be agreed to use any other bank in the same way.

6683. But would not the Bank of England still continue to be the bank for the bankers, and still continue to get whatever circulation it required?—It might, but I doubt it.

6684. Is not the issue department of the Bank of England quite as distinct from the banking department of the Bank of England, as if that issue department were in fact a branch of the Government such as you have spoken of?—The operations of the two ought, in one sense, to be quite independent of one another, because the issue department is, in fact, merely a trustee for the Government of the gold which needs to be deposited before the notes are to be issued; but being under the same management they can work more conveniently than if they were independent in all respects.

6685. Did I correctly gather that what you were most afraid of in the competition of the Scotch banks was the competition for deposits?—I am afraid of the cheap money which their power of issue enables them to obtain in Scotland. In consequence of their having the power of issue in Scotland, they are by their own admission able to put down more branches than we can possibly do, because they save the interest of the

Mr. *Mulholland*—continued.

the money that we must all of us necessarily have in a bank if we are to do any banking business. Now that deposit money having become superabundant in Scotland, the Scotch banks are proposing to bring the money so collected, and so cheaply collected (more cheaply collected than we collect similar money in England), to England, to establish banks in opposition to the English banks.

6686. You have more fear of their competition by their offering cheaper loans than the English bankers?—On equal terms I have no dread of their competition at all; in fact, on equal terms, I would rather have their competition than the competition of a great many of the new banks which are established by people who know nothing of banking business, and who therefore have to sow their wild oats before they are pleasant to deal with, and in sowing their wild oats they are apt to do a great deal of damage in the community which more experienced men might avoid.

6687. I understood you to say when you were speaking of the goodwill of the Scotch banks in England, that by goodwill you chiefly meant the right to the deposits?—The goodwill of the deposits is the most important part of the goodwill of a bank; but of course there is other banking business which is profitable.

6688. Have the Scotch banks offered higher terms for deposits in any case than the English banks with which they compete?—I am not aware; and we have as yet so few of them, and they have been here so short a time, that we have not had much opportunity of learning.

6689. Are you aware whether they have offered loans on cheaper terms?—I am aware that there have been times when money was very dear in this country, when people were able to get bills discounted at a lower rate in Scotland than they were able to get them discounted in England. That I know to be the case. The fact has been brought home to me, and that is one of my general objections to the power of issue being vested in banks other than one national bank, or in the hands of the Government. When gold necessarily leaves the country for the purposes of trade, its place should not be supplied by bank notes. It is necessary that money, and all its representatives should diminish in quantity, and the money would diminish in quantity if it was all metallic, when there was a necessity for its export. But the Scotch banks have the power of increasing their issues at a time when gold is leaving the Bank of England, and it must necessarily diminish its issues because it has not got the notes to issue.

6690. But the Scotch banks cannot increase their issue now without having an equivalent amount of gold?—Their special privilege of exchange enables them to do that, and I put the following case to show how they may have a motive for it. A short time ago it was obvious to everybody that there was an enormous and unusual demand for gold for Germany. The Germans, being about to change their silver standard for a gold one, had been and were still accumulating gold to get a sufficient quantity to exchange for the silver at present in circulation. There was a great demand for export to Germany, and, to meet it, was taken all the gold that was imported here. When that was exhausted, gold began to be taken out of the Bank of England, also for export there; and the Bank of England, to stop

Mr. *Mulholland*—continued.

the drain, had to raise materially its rate of interest or discount. At that time, therefore, the Scotch banks would have a great motive to increase their issues, because, in consequence of the high price of money in England, they would get a higher price for their money in Scotland; and, the motive operating equally with all, they would naturally extend their issues, *pari passu*, and then by their privilege of exchange they would be able to keep within the law without holding any additional gold, and thus get the additional profit on their increased issues without additional cost.

6691. But must they not increase their supply of gold in the same proportion?—No; because their peculiar privilege of exchange prevents the necessity for that. If you were to say that they should at all times, that is, at every hour of the day and night, have in their possession gold for their excess issue, then it would be so; but they are allowed to go on issuing during the whole week before they are required to make any declaration of what they have in circulation.

6692. But supposing that at the end of the week it were found that they had increased their issue, they must then increase their stock of gold?—Yes, if it should happen so at the week's end for making the return.

6693. You mean that they would have had only one or two days use of the increased issue?—They have it at all times, except for the few hours between Saturday night and Monday morning, because they are very soon in the same position again after business is resumed.

6694. Do you mean that if they got down a million of gold from London to make up for their increased million of circulation, they would send it back again on the Monday morning?—No, I am not talking about gold in the matter at all. I am talking about their excess of issue which they are able to put out of sight by the weekly exchange.

6695. But the return on the Saturday night, if they had increased their issue as you suppose, would show the fact, and then they would have to increase their stock of gold?—No; they have had the notes out, and the public have put them where it was convenient to them to have them; many of those notes are put into the other banks, and the banks meet together on the Saturday, and exchange notes with one another, so that notes which have been in circulation all the week are returned to the bank. They have been a liability of the bank, I assume, during the whole week; but on the Saturday night they are returned to it through this system of exchange.

6696. It seems to me that a note that has been merely put out by a bank, and then returned to the bank again as not being required for currency, cannot have had that action upon the exchanges or prices to which you allude; it is only a circulation that is absorbed by the public?—Those notes that are exchanged on the Saturday night are as much a portion of the circulation of this country as the Bank of England notes are.

Mr. *Orr Ewing*.

6697. You stated, did you not, that the present condition of commercial disaster in London arose from, or was an evidence of, the too great facilities of obtaining money?—I said, I think, of getting bills discounted; and that is one way of obtain-

Mr. *T. Cooke.*

5 July 1875.

Mr. *Orr Ewing*—continued.

ing money; but I think that I was alluding to the great competition of the discount bankers that there are in London, having caused a vast number of bills of a weak and bad character to be discounted.

6698. And you attribute that to the excess of loanable capital?—I attribute it to the excessive number of discount bankers or brokers.

6699. But the great number of bill brokers could not have a bad influence unless they had plenty of money to give in loan?—And made a bad use of it.

6700. Do you not think that these disasters rather arise from an improper use of the loanable capital in the hands of these brokers?—Yes; I do. I think that is an improper use of money to discount bad bills with it, or to discount bills without due inquiry into their nature.

6701. And granting such immense facilities to one house is neglecting the proper principles that should govern a banker, is it not?—I do not allude to special cases, or to what extent the brokers may be individually involved in these things; I am speaking of the thing as a whole.

6702. Are you aware that it is rumoured that certain banks, at all events, have given very large sums to one or two names?—How are bankers to employ their money? Employing it in the discount of bills of exchange is considered by everybody one of the most legitimate uses of a banker's money. A large bank that has millions to deal with must have large amounts of bills from brokers, and if it has discounted for them a large amount of bad paper, it may not be very seriously to blame, though the brokers may be. It may have unavoidably taken the bill on its faith in the judgment of the different billbrokers for whom it has re-discounted them. Many of those bills that are in banks you will understand have not been directly discounted by the banks for those who made the bills; they have been discounted for brokers who discounted them in the first instance.

6703. Supposing that money had been scarce just now, and at a very high rate, do you not think that the disasters which have occurred would have been greatly aggravated?—Yes, I think we should have probably had the year 1866 over again. If the promise of a good harvest should be disappointed, and we should have to import this autumn 15,000,000*l.* to 20,000,000*l.* worth of corn, I think that we may very fairly anticipate 1866 over again, because credit is so over extended at the present time.

6704. Without being prepared to admit the correctness of your dark prospect of the commercial world, I should like to ask you whether we are not very much indebted for the comparative ease of the money market, and the freedom from an increased amount of disasters, to the fact that we have a very large sum of loanable capital at the command of the banks at present?—Yes, and I fancy that there is always very great ease in the money market for some time before one of those crises crops up. A great abundance of loanable capital is a very great advantage if it is properly lent; but if it is improperly lent, it may be the reverse of a blessing.

6705. And therefore your statement previously was erroneous, was it not?—I do not think that it was in any degree erroneous; I think that all I have said has been perfectly logical and consistent, though it may be an error of judgment to say there are too many bankers.

Mr. *Campbell-Bannerman.*

6706. I think you said that the capital which you would have to employ if you established a new branch would cost you three per cent., and that the capital which the Scotch banks obtain in Scotland costs them very much less?—Yes.

6707. But yours would cost you less if you were an issuing bank, would it not?—Yes; if I had the same power of issue as the Scotch banks have, I should be able to collect deposits on as favourable terms as they do.

6708. I am not talking of the same power as the Scotch banks have, but of the same power as your issuing neighbours have in England?—But that would not give me so great an advantage as the Scotch have.

6709. But it would give you an advantage over what you possess, would it not?—Decidedly.

6710. And yet your bank renounced the right of issue?—Yes; because they considered that as the law at that time was, or had been, the issuing of promissory notes was a dangerous thing for a bank that had large deposits; and they arrived at that conclusion from what occurred in 1825 and in 1839.

6711. When did your bank give up its issue?—It ceased to issue in 1844, when the Act passed.

6712. Did it receive compensation from the Bank of England?—It received an annuity; not a compensation for its loss, excepting you take into account that an issuing power is a decided disadvantage in the place of an advantage.

6713. Do you take that at all into account in calculating the three per cent?—No; not at all; I have explained how I reckon that three per cent. We pay interest for all the deposits in the bank. We have no money to work with except that which is deposited with us and our own. Our own money is all invested in consols, capital and reserve fund too; and, therefore, we work the bank with deposit money. Our deposits cost us three per cent. The Scotch banks by their power of issue can collect deposits to a much greater extent than we can, on which they get the same profits probably as we do. If the Scotch banks through their issuing power get the means of collecting deposits, they get their profit upon those deposits as we do; but they do not need to let any of those deposits lie idle in their till because they can make money for the till themselves. That is their special privilege; I have no such privilege, and therefore the money which lies in my till is the interest-bearing money.

6714. If you were an issuing bank you could have money in your own till that cost you nothing, could you not?—I do not know how anybody would fix our issue now. The present issuing banks have their issues restricted to what it was at the time of the passing of the Act. To be sure there is one bank that has a very large issue, and such an issue as that might be a very appreciable advantage; but if I were limited to a small issue, such as many of the banks have, it would not be any very great advantage.

6715. But so far as it went, it would be an advantage in regard to establishing new branches, would it not?—No doubt.

6716. The portion of the Scotch banks' privilege to which you appear to attach the greatest importance is their system of exchanging notes on Saturdays?—Yes.

6717. Have

Mr. *Campbell-Bannerman*—continued.

6717. Have you seen the statement which they have put in of the note circulation during the four weeks from the 29th of March to the 24th of April?—No.

6718. Then you are not aware that while the total average daily circulation during those four weeks of the five banks who furnished the return was 3,196,974 *l.*, the average on Saturdays was 3,232,189 *l* ; so that in fact the amount of notes in circulation on Saturday was greater than on any other day in the week?—I have not seen that statement, and I cannot express any opinion upon it, without knowing exactly how that account was made out.

6719. If that is the case, it would appear, would it not, that there is no inflation at all of the circulation on the intermediate days?—That might be an accidental occurrence. I am quite satisfied in my own mind that the Scotch banks circulate during the week a vast amount of notes which get returned to them through the exchange on the Saturday night; and I am the more satisfied that it is so, because the Scotch banks are quite impenetrable on that subject; they will not give any intimation of what amount they exchange on the Saturday, and I cannot myself deal with this subject in a satisfactory manner without knowing that.

6720. You say that they are impenetrable, and have not given any information, and yet you say that you have not seen this information which they have given?—I cannot, with so much to do as I have, read everything that may be printed.

6721. May I ask whether you are justified, not having been able to read the information which they have given to the Committee, in saying that they have declined to give it?—I have myself asked, and they say they cannot tell. There is no necessity for any doubt on the subject. If the Scotch banks will tell us the amount of their exchanges week by week for the whole 12 months, we shall know all about it, and there can be no wrong impressions; and I wonder that they do not do it.

6722. When you say that their circulation increases in the intermediate days, you merely give an *a priori* opinion of your own, and you are not speaking from any facts within your knowledge?—I am quite certain that it must be so; I am enough of a banker to know that.

6723. You are aware that the practice which is adopted of calculating the amount of circulation is imposed upon the banks by the Act of 1845?—I have something to guide me in this matter, and if the Committee will allow me I will read it. Sir Robert Peel said in introducing the Act of 1845 applicable to Scotland: "Now I propose that we should adhere to the present system in taking the returns in Scotland, that we should allow Scotland the benefit of these continued exchanges, and that we should permit that country to make a return as it does at present, of the amount of bank notes actually issued from each bank on the last day of business in each week. That is a point to which I apprehend Scotch banks attach considerable importance; I think that the calculation made by the Right Honourable gentleman opposite was, that it would make a difference of nearly 30 per cent. in the amount of the Scotch circulation if you took the daily average of the notes instead of taking the returns upon the last day of transacting business in the

Mr. *Campbell-Bannerman*—continued.

week; and that is the reason, I apprehend, why the amount of the circulation in Scotland appears low." I share Sir Robert Peel's apprehensions, and I have stated already that I believe that a very large amount of notes which would otherwise be in circulation according to the common acceptation of that term, would still be in circulation if it were not for that weekly exchange; and we do not know the extent of the privileges which the law has awarded to Scotch bankers until we know what amount of notes they exchange every week. Sir Robert Peel said that he had the authority of one of the Scotch gentlemen on the other side of the House for saying that if the Scotch bankers had to make a daily return the same as the English issuing bankers do, it would make a difference of 30 per cent. My own opinion is, that it would make a much greater difference than that now; if it were true at that time I think that the difference would be greater now. But the whole thing can be set at rest by the Scotch bankers letting us know what it is; and I think it is information which the country ought to have, and that it is most important that every commercial man should know the total circulation of the country.

6724. Are you aware that in Edinburgh and Glasgow, which are, as you know, the largest towns in Scotland, the exchange takes place three times a week?—I understood that in Glasgow it takes place three times a week, but though they may exchange notes in that way, the public have the use of a circulation, the extent of which we do not know.

6725. Are you aware also that the Scotch banks have stated that except for the additional trouble which it would give them, they have no objection whatever to effect the exchange every day all throughout Scotland, so that they do not appear to attach that extraordinary value to their privilege which you put upon it?—I do not understand that the Scotch banks are willing to make a declaration to the Government of their return, founded upon their daily issue, like the English issuing banks are obliged to do. They say: "We are quite willing to be compelled by law to exchange notes every day instead of only at the end of the week," but they do not tell you that they would make their average return upon the daily amount of circulation instead of founding it upon the circulation at the end of each week after the exchange has been made.

6726. Are you aware that a bank does not reissue the notes of another bank which are brought to it?—Yes.

6727. So that those notes really lie idle, do they not?—Yes, the banks always have a great deal of money which they are holding for other people.

6728. If each bank had, say 50,000 *l.*, or any sum you like, lying idle among its neighbours, what benefit would it be?—I do not understand your question, as applying to anything which I have been saying. If you ask me whether if a bank has 500,000 *l.* lying idle it is making anything of it, I should say that it is not.

6729. But what is the advantage as regards notes?—You must have notes to supply your customers with, or you are of no use as a banker. If cheques are presented you must pay them.

6730. But those notes which are retained

Mr. *T. Cooke.*

5 July 1875.

Mr. *Campbell-Bannerman*—continued.

during the week by its neighbours are of no use to the bank which issues them, are they?—No, not if it kept them lying idle in its hands, but having issued them it has gained its profit on them.

6731. I understood that in your opinion, this was the principal privilege which gave the Scotch banks an unfair position as regards their English neighbours?—The privilege of issue which they possess by law, is what I say gives them their great advantage, and connected with that is this system of exchange which enables them to have in circulation for the greater part of their time, notes for which they do not hold gold. If they held gold for all those notes that they exchange at the end of the week, the profit upon them would be gone.

Mr. *Balfour.*

6732. It is your opinion, I think, that the extension of branch banks into small towns is an advantage to the community?—Yes.

6733. And you also think that that extension can only be carried out if the banks who desire to establish those branches have a right of issue?—It can be carried to a very much greater extent if they have the right of issue.

6734. Therefore, it is quite clear, is it not, that the public benefit largely by the right of issue, and that part of the benefit goes, not to the banks, but to the public?—Yes, the public get the benefit of those branches.

6735. And those branches can only be kept up by the issue of notes?—Not the whole of them; a good many of them could not exist, I believe, but for that power of issue; but I beg to call attention to the fact that I am dealing with the question between the Scotch and English banks; I do not deny that certain advantages may be possessed by the Scotch banks, and possibly by a portion of the Scotch community, but I say that it is got at the expense of the English banks and community.

6736. I think the honourable Member for Maidstone asked you whether it was not your opinion that there is a considerable waste in a large number of branches established in Scotch towns, implying that the consequent loss to the community was very considerable?—The loss to the bankers, I should say.

6737. That would be simply a banker's question; the bankers would not establish banks if it were a loss to them, of course?—We are talking about waste; and I say that if the banks, as a whole, had three branches where one would suffice, and, as I explained at the time, if they could agree to have one in place of the three, and divide the profits of the one, they would be better off; it is in that sense that I am speaking of waste in the number of branches.

6738. Then I understand your opinion to be that Scotland actually does benefit by the great extension of branches, and that those branches could only be kept up by the note circulation, and that, therefore, Scotland would lose considerably by the abolition of the note circulation?—It would be as well off as England after all, and England thrives tolerably well; I think that the privileges accorded to Scotch bankers, even though they may be of some advantage to the Scotch community, are not desirable, and that our country, as a whole, would be better off if

Mr. *Balfour*—continued.

those privileges could be withdrawn, and if we were all placed in the position that my own and other such banks are in.

6739. It would be a general loss to the community, however, would it not?—No, I do not think that it would, because the community never loses anything by good laws; by the substitution of good laws for bad the whole community is always a gainer.

6740. You think that the introduction of Scotch capital into England is an injury to English bankers?—I have said over and over again that if Scotch bankers are to be allowed to introduce into England the superfluous capital which they have acquired through their privilege of issue, and the great number of banks of deposit which they can establish, to compete with me as a banker, who have not the same privilege as they have, they are very unfair competitors with me, and the law ought to help me; that is my position.

6741. Still, I suppose, the public benefit by that although you lose?—Yes, if you think it is a benefit to the public to gain by oppressing some individual of the public, then they are gainers, but not otherwise.

6742. You said, I think, that you considered it fair that Parliament should make any alterations it pleased in the banking system?—Yes, decidedly; I look upon Parliament as omnipotent in this question.

6743. Do you think that any alteration could be made, for instance, in the law with regard to circulation, without offering compensation to the banks affected by it?—I have no objection at all to any bank that is compelled to give up its circulation being paid the same as I am, although if I had to be compensated at the present time, I take it that, measuring myself by the Scotch banks, I should want compensation upon something like 690,000 *l.* in place of compensation upon 69,000 *l.*, because my compensation was given to me in the year 1844, when the bank was an infant, and now it has attained man's estate; but I have no objection, if Parliament is willing to find the money, to let the present issuing banks in England be compensated as I was compensated, by an annuity of 1 per cent. upon their present power of issue.

6744. Would it be fair, in your opinion, to abolish the present right of issue without compensation?—I think it would.

Mr. *William Shaw.*

6745. Is the Scotch banking the only unfair competition that you have to complain of in consequence of the state of the banking laws?—There is a great deal of competition, which I do not like, but I do not know that I can complain of the law as being the cause of it.

6746. Does not the law give an issue to your competitors, and so give them an advantage?—Yes; but in the early part of my evidence I said that in principle the issuing powers of the English bankers were just as objectionable as the issuing powers of the Scotch bankers.

6747. It is only a question of degree?—It is only a question of degree between the two; but inasmuch as the English issues are gradually decreasing, and have decreased since 1844, from something like 8,500,000 *l.* to 6,500,000 *l.*, and that 6,500,000 *l.* forms year by year

Mr. *William Shaw*—continued.

year a smaller and smaller proportion of the circulation, it is not an evil of such magnitude that it would move me at the present time into any sort of activity to get rid of it. I am moved into activity by a much greater evil than that, namely, the threatened invasion of England by Scotch bankers without giving up their privilege of issue which, perforce, the English issuing bankers would have to do if they wished to carry on a banking business beyond their prescribed limits. They can only issue in the provinces of England, that is to say, outside the well known circle of the 65 miles radius; and if they get within that circle, that is to say, if they begin to carry on a banking business out of their own provinces, they must give up their power of issuing. The same thing was not provided for as regards the Scotch banks, and probably for this reason, that they claimed to have their special issuing power, on the ground that they were a poor country and could not afford a gold and silver currency like England. That I think you will find recorded in history in many places. They have now become so rich that they are able to bring their capital acquired through their issuing power into England to compete with us as bankers, and I think that if that had been foreseen it would have been enacted that if they came out of their own territory they, like the English issuing bankers, must forfeit their special privileges.

6748. Are you not aware that the English private banks do not forfeit their issues by going inside the circle?—I have always understood that that was so, but really we do not know what the law is at all upon this subject. We have all of us been consulting lawyers, and I believe an opinion has been expressed by an eminent lawyer to this Committee, which some of us were not able to get from our lawyers; they differed.

6749. Then the English issuing banks have a great advantage in that way, which would be still an injustice to you, similar to that of which you complain with regard to the Scotch banks; they can get their money and they can come into this charmed circle, and they can bank next door to you without losing their issues?—I do not know whether that is so or not, but if they can do that, the thing is worse than I previously understood it to be.

6750. Do you not think that there is a good deal too much made of this invasion of the Scotch banks; do you anticipate anything serious from it in the way of real competition with you in Manchester?—Yes, I do.

6751. Do not you think that they have quite enough to do in their own country except in the way of agency?—It is clear to me that they do not think so, otherwise they would not bring their money here. If they could now employ their deposits as they did formerly in their own country, they would not bring them here.

6752. Is not the agency for their banks in London a very important element in their calculation?—I have to pay an agent in London, which I prefer to do to establishing a bank of my own there. I dare say I should make rather more money if I established a bank of my own in London, because I should get some banking profit to set against the cost of doing my agency business, which now is done for me.

6753. But there is nothing to prevent your

Mr. *William Shaw*—continued.

doing that, is there?—There is nothing to prevent my doing that, because I am a non-issuing bank.

Mr. *T. Cooke.*

5 July 1875.

6754. But a bank in Scotland doing a large Scotch business must necessarily continue to do a large Scotch business, and cannot seriously compete with a London bank, can it?—Yes, it can. I am satisfied with what I do. I employ all my spare money in London (and I daresay it is as much as the spare money of any of the Scotch banks) through an agent, and they might do the same.

6755. If they did nothing more than that, it would not change the state of the case, would it?—I make no complaint of their doing that. I complain of their establishing themselves to carry on large branches of banking business in competition with me, who am not subsidised as they are.

6756. Are you aware that the Irish banks exchange notes every day?—I daresay they do; and when once you are told of it, it is such an obvious advantage that I should think they would do so.

6757. So that it is not so much a question of the profit with the Scotch banks as a question of convenience, I suppose?—It is a question of profit, because if they did not exchange those notes they would have to keep a very great deal more gold, according to my contention and Sir Robert Peel's. Sir Robert Peel says that the system of making the returns which he allowed after those exchanges, as he was told by those on the other side of the House, made a difference of 30 per cent. in the notes that the Scotch banks could issue without gold.

6758. Has your bank many branches?—Fifty.

6759. They are chiefly in Lancashire, I suppose?—In Lancashire, Cheshire, and Staffordshire; we have many branches in the Potteries, one at Stafford, and one in Shropshire at Market Drayton, which is on the borders of Cheshire.

6760. The annuity is still paid by the Bank of England, is it not?—Yes.

6761. Was that by special arrangement?—It was by two Acts of Parliament. The annuity was fixed by the Act of Parliament of 1844 for a certain time, and at the expiration of that time there was an Act passed to authorise the Bank of England to pay it until further instructed by Parliament.

Mr. *Backhouse.*

6762. By the renewal of that annuity that you receive, you expect to receive it as long as the Bank of England continues to enjoy the privilege of issuing notes, do you not?—I do not know. I have never considered it; it is such a bagatelle that I have never given it any thought. I once offered to give it to the Bank of England in exchange for services which they render us when they made some claim upon me for payment.

6763. But it continues under the law during the time that the Bank of England have their own privilege, does it not?—I do not know whether it was given in consideration of any privileges of the Bank of England. I do not know how it was calculated.

6764. You said, I think, that you considered an issue a source of danger to provincial banks;

Mr. *T. Cooke.*

5 July 1875.

Mr. *Backhouse*—continued.

is there no difference between rural and urban districts, with regard to the issue of banks?—I can only refer to history upon that point. The run upon the banks in 1825 seemed to be general throughout England, just as great in the one kind of district as in the other.

6765. But if a bank was prudently managed, and held sufficient reserves, do you think that they would incur any danger whatever from the issue of their own notes?—If you could rely upon the prudence of banks the power of issuing might be very properly given to them; but we know that competition is at times utterly destructive of prudence in banking, and in all other trades.

6766. In any panics or any time of distrust in the present day, is not the run much more severe upon deposits than upon notes?—I have never seen anything like a run upon deposits. As regards my own bank, in all times of difficulty the deposits increase for a time; because prices are so disarranged, and people are so frightened, that they do not know what to buy with their money, and they put it for safe custody into the bank until better times come. I will read to you what happened in the crisis of 1866 to the deposits of our bank, because it is a curious fact: in 1863, they were 7,253,000*l.*; in 1864, they were 7,343,000*l.*; in 1865, they were 7,951,000*l.*; in 1866, they were 8,480,000*l.*; in 1867, they were 9,083,000*l.*; but in 1868, they fell down to 8,832,000*l.* About that time people began to get courage, and to take the money that had been lodged in the banks and to invest it. In 1869, when confidence had returned, they fell to 8,234,000*l.*, and then they began to increase again, and now they are 12,500,000*l.* I read these out, because I think they are instructive facts.

6767. You were asked with regard to the public advantages of note circulation in Scotland; is it not the case that certain methods of banking may be an advantage and economical to the individual, and yet not for the general public good?—Yes.

6768. It is most desirable, is it not, with the large amount of money now held by bankers, that large reserves should be kept available at all times?—Yes, it is most important, I think.

6769. Therefore a gold circulation helps to maintain the amount of general reserves held in the country, does it not?—I think so.

6770. With regard to the Scotch circulation, is it not the case that it is taken on an average of four Saturdays, whereas the English circulation is taken on a daily average?—Yes; they are both taken on an average of four weeks, but the Scotch do not take a weekly average; they take as their weekly circulation such notes only as remain out on the Saturday after an exchange after the close of business that day, while the English are obliged to make a weekly average, and when the sum of notes that they have had in circulation daily is divided by six, the quotient then becomes the basis of their monthly average.

6771. With reference to the excess of the Scotch circulation, have you noticed the evidence of Mr. Readman, at Question 3749, at which he says, "that the excess of circulation before the exchange would be much more than 2,000,000*l.*"?—I have not had time to read all the evidence that has been given before the Committee, though I have had the best newspaper report of it carefully put into a book for the purpose. It appears that Mr. Readman's evidence strongly confirms the suspicions which I have expressed.

Mr. *Backhouse*—continued.

6772. That is rather more than 30 per cent. of the total issue of the Scotch banks, is it not?—Yes.

6773. For whatever amount they are in excess of their authorised issue after the exchanges are made, they are obliged to hold gold, are they not?—Yes.

6774. Supposing that excess is 1,000,000*l.*, is it not possible that they might hold 4,000,000*l.* in gold for 48 hours, to meet the excess of the average of the four weeks, instead of 1,000,000*l.* for the four weeks during the whole time?—Yes.

6775. Therefore, the only need they have to hold gold against their excess of issues, is to hold a sufficient amount on one Saturday in the four weeks?—Yes; and those demands for gold for Scotland which sometimes unexpectedly occur are demands in connection with their circulation.

6776. With regard to your London business, is it not the case that the Lancashire trade has quite as large business transactions with London as any Scotch trade?—I should think a great deal larger.

6777. Your own bank does a larger business than any Scotch bank, does it not?—I should think so; of course I do not know without looking into their books, but, as a matter of opinion, I should say that it does.

6778. And in spite of your large business, and the large connection of your district with London, you find it more advantageous to employ a London agent, than to open a bank in London yourselves?—Yes; I am satisfied that a London bank would be somewhat of an incumbrance to us, and further than that we have got our reputation and our character as a provincial bank, and I do not wish to disturb the impression in any way. One of the great things which a banker learns by experience is to let well alone. Credit is a most ticklish thing.

6779. Do you not think that there is a great advantage in the English system where banks restrict themselves to certain localities, and that from their knowledge of those localities they have a great advantage in assisting the business of the districts?—Yes, it is a most important thing for bankers to be thoroughly acquainted with the nature of the business of all their customers, otherwise they cannot conduct a banking business such as it is in the present day with any amount of safety.

6780. I think I understood you to say, that though as a matter of principle you prefer a single bank of issue, you have no objection to the arrangement under the Act of 1844 continuing as regards England?—I do not think it is at the present time worth while to make any change for what little gain we should get in having the principle of the Act of 1844 carried out to the full extent in England. I do not think that the English issues are matters that anybody need be troubled about at present.

Mr. *Sampson Lloyd.*

6781. I think, in answer to a question in the early part of your evidence, you said that there was no difference in kind between the privileges of the English banks of issue, as competitors with

Mr. *Sampson Lloyd*—continued.

with English non-issuing banks, and the privileges of the Scotch banks; is there not a great difference between the privileges of an English bank of issue, which has a very limited right of issue, and that only of large notes, and the privileges of a bank which can issue both large and small notes, and has also practically an unlimited privilege of issuing against gold for its till money?—There is a great difference in extent.

6782. So that you think that there is a considerable difference both in the kind of privilege and in its extent?—Yes, but in extent rather than kind.

6783. You do not compete with any English bank of issue, do you?—No; in our district there is no bank of issue that I am aware of.

6784. There is one in Liverpool, is there not?—Yes; but they do not try to make their notes circulate in Liverpool, because they do not wish to be the only circulators of notes there. Their privilege is much more useful to them in the country districts, and I dare say their power of issue is entirely absorbed there.

6785. You were asked as to whether the public would not be benefited by the competition with you of banks specially privileged like the Scotch Banks; I presume that, even supposing that the public did benefit, you would contend that it is an unfair benefit?—Yes.

6786. Supposing that the State, in a town where you have competitors, were to lend your competitors 10,000*l.*, or 100,000*l.*, at two-thirds of 1 per cent. per annum interest, while you had to find capital yourself, would you consider that fair?—No.

6787. Would not that be a somewhat analagous case to the State permitting banks specially privileged to raise capital in Scotland at a cost of two-thirds of 1 per cent., to come and compete with you in England, where you have to pay, as you have stated, 3 per cent. for your capital?—Yes.

6788. In fact, you get your capital by receiving deposits alone, on which you have to pay 3 per cent., while the other gets it by giving his own promises to pay the bearer, on which he only pays a cost estimated at two-thirds of 1 per cent.?—Yes.

6789. I believe that some time ago, if not at the present time, in the Isle of Man, and in the Channel Islands, tobacco, wine, tea, and other articles were permitted to be imported duty free?—I believe they were.

6790. Supposing that the State permitted a dealer in any of those articles to come from the Isle of Man or the Channel Islands and sell in Manchester, would not the consumer of tobacco, tea, and wine, be benefited very much by getting the Isle of Man and Channel Island's wine, and so on, untaxed?—Yes, precisely as the British public are benefited at the present time at the expense of the sugar refiners in England. We none of us eat any lump sugar at present that is made in England; it is all made in France and Belgium, and for this reason, that the Governments of those two countries allow to the exporters of refined sugar a larger drawback than is equivalent to the duty paid upon the raw sugar; and therefore, through that folly on the part of those foreign Governments, the English sugar refiners are very much injured, though the English public gains by it. That is a thing

Mr. *Sampson Lloyd*—continued.

which we cannot control; but the people we are talking about are all under one Government.

6791. Such a benefit, even if it be a benefit to the public, being based on an injustice to a portion of the public, is not in itself right, I presume?—I think that there ought to be some little morality in legislation.

6792. I think you said that you would prefer competing with the Scotch banks to competing with new English banks, because the new English banks sowed a great many wild oats?—I should have the same objection to a new Scotch bank as I should have to a new English bank. I do not like to compete with a man who has not learnt his trade.

6793. Is it your experience that Scotch banks have never in their history also sown wild oats?—We did hear reports of that. In 1857, I think, there was the most disastrous bank failure of my day in Scotland.

6794. Is it quite fair in your opinion in speaking of English banking generally as compared with Scotch banking generally to say that English bankers have fomented speculative business more than Scotch bankers?—No, they certainly have not in my opinion. I think that the Scotch have been the greater sinners of the two in that way.

6795. I think that you expressed an opinion adverse to banks being founded upon the principle of limited liability; are not all banks, both private and joint stock, limited in some way or another, that is to say, by the limits of the property which their shareholders or partners possess?—Their means of paying their debts are limited. Every man's means of paying his debts must be limited by the extent of his property.

6796. So that all banks are limited somewhere?—Yes; what we call unlimited banks have a limit as regards the capital that can be called up from the shareholders by the directors. That is fixed by every trust deed that ever I saw. But the difference between limited and unlimited banks is this: that the shareholders in limited banks when they have lost the whole of their money can walk off and leave the mess to be wiped up by somebody else; whereas the shareholders in an unlimited bank must stand by it, because they are liable to a liquidator to the full extent of their property.

6797. But when that full extent is reached, they too can walk off, can they not?—Yes, but in an unlimited bank, the rich men pay for the poor ones. Of course, you have to call upon them *pari passu* all alike, and you call what you think will be sufficient. If some of them cannot pay, you make another call upon those who can.

6798. But may not the subscribed capital of a limited bank be sometimes larger than the total property of the partners or shareholders in a bank that is not limited?—I think not; I never saw a list of shareholders of an unlimited bank that was so weak as all that.

6799. Supposing we take the case of a man who by industry has accumulated a large fortune, of, say, half a million sterling; would he not be much more likely, there being two banks equally well-managed, to take shares in a limited bank where he knows the worst of it, if he loses his money, than in an unlimited bank where he risks half a million for the sake of getting six or eight

Mr. *T. Cooke.*

5 July 1875.

Mr. *T. Cooke.*

5 July 1875.

Mr. *Sampson Lloyd*—continued.

per cent. upon a much smaller sum?—Yes, and that is the reason why so many banks are established that I think had better not be established.

6800. But assuming the prudence of their management to be equal, what is the harm of the limited bank attracting the subscriptions of men who can and will pay up their capital?—I do not assume that; I am inclined to think, that when men risk so little, they pay very little attention to the management of the institution in which they have taken an interest.

6801. Is it not equally bad for the public if in an unlimited company, people who have nothing to lose put their names down?—If the directors of an unlimited bank do their duty they exercise their option of admitting a proposed new partner, and if they think proper they may say that the shares shall not be transferred to him.

6802. Is not the Bank of England itself a limited company?—Yes.

6803. And many other concerns of high repute, also?—Yes, but like what all the important companies ought to be, the Bank of England has a very large paid-up capital, and it offers very substantial security to those who deposit money in it; much more substantial, I think, than many of the other banks.

6804. The Bank of England is the largest bank of issue in the country; are you satisfied with the law which regulates its issue, or is there any alteration which you think desirable in the interests of the commuuity in the system upon which its notes are issued?—No, I am very well satisfied with the system of issue. As regards the banking department, what appears in some people's eyes to be a failure of the law of 1844, I consider no failure of the law at all; I think that it had to be suspended in consequence of the Bank of England not having managed its banking department quite as it ought.

6805. In point of fact, you do not think that anything that legislation can do, so far as you know, can improve the principle upon which the Bank of England notes are issued?—I do not know that it can; at any rate I am not prepared at present to suggest any improvement

Mr. *Hussey Vivian.*

6806. Do you think that the extent to which the deposit system is now carried, is a safe and good system for banking?—Yes, I see no objection to it. Of course, however small the deposits may be in a bank, if it is badly and imprudently managed they are endangered; but judging by the past, and in fact by what is going on at the present time, I see no reason to take alarm at the large amounts which are deposited in banks, when the banks are properly managed. I think that that proportion of the capital of a bank which it holds out to the public as the primary security for the deposits, should be removed as far as possible from the risks of the banking business, by being invested in the very best securities, either for sale or to borrow upon in case of emergency. Many banks do not invest any portion whatever of their paid-up capital or their reserve funds in securities of that kind, but employ the whole of the money in carrying on their banking business, which is necessarily attended with more or less risk.

6807. Then you do not consider that the attracting of deposits by high rates of interest i an unsound or unsafe system?—I do indeed, bu fortunately the public have too much good sens to let that go too far. So far as my experienc as a banker enables me to give an opinion, ther is nothing of which the public are better con vinced than this: that deposits are not safel placed where people show great anxiety to ge them, and one of the most obvious evidences o people wishing to have them is, that they wil pay more for them than their neighbours. It i generally assumed by those who put money int banks for safe custody, that the interest whic they receive is of small importance compare with the certainty of receiving the money whe they ask for it, and they generally take alarm i a bank offers more money than its neighbour for deposits. At any rate I notice that thos banks that compete with me, who offer more fo deposits than I do, do not increase their deposit as fast as I do.

6808. But that is owing to the good sense o the public and not to the system of banking?— Yes, it is owing to the prudent system of banking The more you pay for your money the more risk you must run in its employment. Now it stands to reason that no banker can afford to pay interes for money unless he makes some use of it. If he locks it up in a drawer he cannot go on very long; he must employ it in some way, and the more he gives for it the more risk he must run in its employment, because the profits are always proportionate to the risk.

6809. Is it not a fact that since the system o allowing high interest for deposits has become customary very much bad business has been done, and much more than was previously done? —I think that the commercial history of the country will show that there was as much commercial disaster when banks allowed no interest on deposits as there has been since.

6810. Do you think that it is a great gain to the public that large numbers of branches should be opened in small towns, and that the public should be induced to deposit their money in those branches rather than in the investments which are customary in this country, such as building clubs and friendly societies?—The money that is invested in those different institutions is the money of a different class of people. Those who invest their money in building societies, and such like, are generally people who are acquainted with business, and who are anxious to turn their money to as good account as possible; but those depositors in banks who are of most value to the banks are the people who live upon fixed incomes, and who wish to have some little hoard beforehand to meet emergencies; those are the valuable deposits of banks, and they only come after long experience of the bank. A new bank gets very little money of that sort; such money always flows to the old banks which have got a good reputation, and which the public instinctively, I may almost say, consider a safer place than a new bank.

6811. Do you think there is any want of banking facilities in regard to receiving the deposits in this country?—No, none at all. I have no doubt that if I could establish branches more cheaply I could benefit various neighbourhoods by putting down a bank, and benefit myself by having the money of this neighbourhood deposited

Mr. *Hussey Vivian*—continued.

posited in the bank, and trading with it probably elsewhere. The fact of the case is, that money is chiefly collected by bankers in country places to be employed in towns, and if I could establish more branches I could benefit the neighbourhoods by giving them banking facilities, and at the same time I could benefit myself by collecting their money and employing it for my own profit.

6812. Do you think that that would be desirable?—That is the practice now; that is what we all do, and I should only be extending that business which we are now carrying on; all business is mutual in its benefits; you cannot very long carry on business with a man if he gets nothing by it, however much you can get yourself; it must be a mutual advantage to exist at all.

6813. Do you think that it would be desirable to introduce the Scotch system of unlimited paper issue in order to effect that good?—No, the moment that a law of that kind passes, I should cease to be a banker.

6814. I mean limited only by the gold which they have in their possession?—If they only issue notes on gold, my only objection to it is, that I do not see what good it would do, and I do not think that it would save much; I was looking the other day, and I found that a quantity of George III. sovereigns are still in circulation. Those must have been circulating for 50 years at all events. Supposing that somebody had held those sovereigns all these years, and circulated notes in the place of them, I do not think that the notes would have cost any less than the sovereigns have lost by wear and tear, because I cannot find any of those sovereigns that have lost more than a shilling's worth of their gold, whereas if a note circulated for 50 years, I take it that it would have been worn out many times, and have been replaced by a new one. I do not know what the cost of notes is; I have heard it said that the Scotch banks have reckoned the notes to cost three-halfpence each; eight three-halfpences is a shilling, so that if in 50 years you have to renew your note seven times, it has cost just as much as one of those George III. sovereigns; the Bank of England notes are said to cost 4 *d.* each, but whether that is so or not, I do not know.

6815. The public who pay for the note are not gainers by a note circulation, because it costs a man just as much to carry a 5 *l.* note in his pocket as to carry five sovereigns, does it not?—Yes; when you get to large quantities of gold, it is much more convenient to have notes. In fact, I do not know upon what ground you can justify the issue of notes at all, except that they are more portable than the gold; as to any advantage in any other respect, I do not think it is worth having.

6816. When I characterised the Scotch issue as unlimited, I meant that it was simply limited by the gold which they happened at that moment to possess, although that gold was liable, as a general asset, to all their liabilities; you have a certain amount of gold, I presume, always in your till, and the Scotch issue notes against their gold?—The bank which I have to do with is obliged to keep more gold than most banks, because we have to pay away weekly such an enormous sum for wages; the business of this bank is chiefly with the manufacturing interests in the districts where we are, and we have to find them the money for wages, and that necessitates a very considerable stock of gold; I think that we pay away about 250,000 *l.* a-week in sovereigns, half-sovereigns, and silver. There is one thing that I take every opportunity of mentioning, and I should be glad if the Committee would allow me to mention it here; half sovereigns have become almost a necessary of life; they enter into the wages of almost every individual that works in a cotton factory. The Bank of England is not bound to pay half sovereigns, and we get them from the Bank of England entirely by favour. The half sovereigns cost the Mint as much to coin as the whole sovereigns; obviously the Mint would rather not coin them, and if the Bank of England likes to be on good terms with everybody connected with it, as all bankers do, it does not press the Mint to coin half sovereigns; and there is this further reason, that they take a great deal more counting than sovereigns do, and the Bank of England likes to save itself as much trouble of that kind as possible.

Mr. *Orr Ewing.*

6817. Do they not weigh them?—Yes, but they have to count a great many, and it is a deal more trouble for a bank clerk, if he has to work all the day long with half sovereigns than if he works with sovereigns; and you require more clerks to count if you have nothing but half sovereigns.

Mr. *Hussey Vivian.*

6818. Have you, in your great experience of providing funds for the payment of wages, found any want of a local note circulation?—No, not at all; we have often found a want of silver, and of half sovereigns, but of nothing else.

6819. The wages are always paid in gold and silver, and bronze coinage, are they not?—I think that they are now almost universally. They were once upon a time paid in lumps; for instance, the wages of all the people who worked in one room were added up together in gangs, and some of the workpeople received the money for the whole, and received it in a shape in which it was not available; so that they had to carry it to some shop or public-house to get it split up; that has got into disuse. I may mention a fact which is historical; that in the early days of the first Sir Robert Peel he used to pay the wages for whole rooms together in his print works, by drawing a bill upon his establishment in London, and he used to hand that to the workpeople, and they were thankful to get it in those days in that shape.

6820. That was a very extended paper currency?—I think that now most manufacturers who have due regard for their workpeople pay each workman separately, so as to keep them out of the shops and the public-houses, where they would probably be taken advantage of, if they had to ask for the favour of change.

6821. The Scotch system does not render it necessary that the banker should hold the gold for more than one day, the day upon which it certifies; is not that so?—I believe so.

6822. That must be a considerable benefit to them?—Yes; it would be a benefit to me. We are obliged to hold a stock of one week's gold to the amount of 250,000 *l.* From year's end to year's end we have about 250,000 *l.* of gold in our tills waiting for the next week's demand. If

Mr. *T. Cooke.*

5 July 1875.

Mr. *Hussey Vivian*—continued.

I could issue 250,000 *l.* of notes upon that, I should get interest upon those notes, and so save the loss of interest upon that stock of gold.

6823. Should you think that that would be a good or wholesome system for the country?—The issue on gold would be right enough, but I do not wish every bank to have the opportunity of issuing, even on gold, because it would involve some kind of inspection on the part of the Government as to whether the gold which professed to be there was there. At present we rely upon the return made by the various banks that issue, but I should not like to rely upon the return of everybody; and, therefore, there would have to be some kind of inspection.

6824. You might have the gold in stock on the Friday, and it might be all gone on the Saturday night, might it not?—Yes, that is quite possible under certain circumstances.

6825. Do you consider that there is anything special in the Scotch system of banking beyond the power to issue notes?—No, I think not; I believe that the system of our banking is something like the Scotch system; we were advised by those who were experienced in Scotch banking when our bank was established (long before my day as a banker, but I know it to be a fact), and almost all our first officers were Scotchmen, but we got into sad trouble; we almost ceased to exist in 1839 and in 1840, when so many banks broke in Manchester, entirely through inexperience in the management of the banking business; joint stock banks were quite a novelty then.

6826. Were you under the management of Scotchmen at that time?—Yes, under Scotchmen, or those who have professed to have learned from them; they are very clever men in the management of banking, but they are not quite infallible, and of course we did not quite get the pick of the Scotch bankers when we went to Scotland to get men to manage for us.

6827. We have been told that there is a great difference between English banking and Scotch banking; can you define any other difference between the Scotch and English systems, except the issue of notes?—I do not think that there is any difference. The Scotch banks get paid in meal if they do not get paid in malt; they charge no commission as we do in England, but they charge something equivalent to it, otherwise they could not make 15 per cent. profit, as they do.

6828. What is the proportion of your investments in bullion and first-class securities, in proportion to your liabilities?—In the year 1874, the paid-up capital was 900,000 *l.*, and the reserve profits not divided amongst the shareholders, had accumulated to 600,000 *l.*, or thereabouts. Now, the proportion that those two items, the paid-up capital and the reserve fund, bore to the deposits in the year 1874 was 11·99 per cent., that is 12 per cent.

6829. My question was as to the cash held, and investments in first-class securities?—The whole of our paid-up capital and reserve fund is invested in Consols, except 100,000 *l.*, which is invested in the debenture bonds of the Corporation of Manchester.

6830. Your next item is cash with London bankers and brokers at call and short notice; that is, I think, 2,860,000 *l.*?—It was at Christmas.

6831. These two together, I think, are about 34 per cent., as compared with your liabilities?—Yes, that is probably so; but it is only right that I should say that the money which we had in London last December has very much diminished. The floating balance which we have in London you can scarcely regard as a certain reserve; we should take very good care not to let it get too low, but, on the other hand, it sometimes gets a good deal higher than we think necessary.

Mr. *Hussey Vivian*—continued.

6832. Last December, the proportion of your cash and investments to your liabilities was about 34 per cent.; are you aware that, according to the evidence which we have had as to the Scotch banks, it appears that their proportion was 31·13 per cent.?—Perhaps so; but it may or may not be a fair comparison.

Chairman.

6833. You have no banks of issue at Manchester, have you?—No, we have had none since 1844. Most of the joint stock banks issued up to that time, but they gave up their issues.

6834. Do you imagine that the absence of any bank with the right of local issue is any inconvenience to the neighbourhood?—Not at all.

6835. Do you suppose that in a country neighbourhood there is any great advantage in a local issue, which could not be obtained otherwise?—We have a great many country banks in what may be called agricultural districts, and I do not desire the power of issue there; we get on well enough without it; and inasmuch as I think we are better as we are, I do not wish for it, whatever profit might attend it.

6836. It has been stated to the Committee by one of the witnesses, Mr. Seebohm, that a great advantage arose from the local issues, in respect of the facilities which they gave to the small transactions which formed the beginnings of trade; and he explained it by saying that persons who did not keep banking accounts received cheques upon issuing banks; that they then brought those cheques to the issuing bankers, and that the issuing banker gave his notes in exchange without charge; and that this was of very great advantage to persons carrying on small business, but an advantage which the bankers would not have been able to afford if they had not had their own notes to issue. Does that appear to you to be a sound account of the state of things in those parts of the country with which you are acquainted?—If those people never carry the money that they have received into any other neighbourhood, it may be an advantage to them to have got their cheques paid without any special charge for paying them, the banker being content with the profit which he would get upon the issue of notes. But supposing that the people went into some other neighbourhood and wanted to use the notes, they might find that they were not very palateable, and that in order to get somebody to take them in a purchase they might have something to pay.

6837. If cheques are drawn upon you and given to persons who had no account with you, you cash those cheques without charge, do you not?—Of course we charge our customers for our services. The cheque is an order to us to perform a duty for the customer, and we charge him; we do not charge the man to whom the duty is to be done.

6838. But you do not charge your customer upon

Chairman—continued.

upon every cheque that he draws, do you?—Yes, in all those accounts where there is no commutation of the commission, we charge a commission upon everything that is withdrawn from the account. We do not charge any commission upon what is paid into the banking account; we merely charge a commission upon what we pay out.

6839. Is that a common system with bankers?—It is the system throughout, I believe.

Mr. *Backhouse.*

6840. Where interest is allowed upon the account?—I take it that it is the system almost throughout England to allow interest on deposits.

6841. My suggestion was that where interest is allowed on a current account a charge is made for commissions, that is so, is it not?—Yes.

6842. And when no interest is allowed on a current account you make no charge for commission?—Sometimes, but rarely, a deposit account drifts into what we call a current account. The man may not have used any of the money, but may have added to the hoard for several years, and then he begins to draw amounts out, and, of course, a few cheques of that kind we should generally pay no attention to; but if he begins to draw numerous cheques upon this account, then we take his money out of the deposit account and put it into a current account, and charge him commission, because we are doing costly work.

Sir *John Lubbock.*

6843. Do you not usually charge your commission, not upon each separate cheque, but half-yearly?—Half-yearly.

Chairman.

6844. That is to say, you take the balance of the transaction?—We charge a commission upon everything that has been withdrawn from the bank. If the money is withdrawn and paid back again, and again withdrawn, we charge for our services in paying it out commission each time.

6845. I suppose that this system is also pursued by issuing bankers, is it not?—I believe so.

6846. They, I suppose, would charge in the same way for any cheques that were drawn upon them, whether they paid them in their own notes or otherwise?—Yes, in ordinary cases; but I understood that Mr. Seebohm said that this power of issue was an advantage because it enabled people who had no account with a bank to get cheques of other banks cashed without any charge to them.

6847. As Mr. Seebohm refers to Manchester, you may, perhaps, be able to confirm or explain his statement. He speaks of various classes of persons, and he says this: "Market gardeners are another class in my own district who send their produce to distant markets, even as far as Manchester, receiving cheques on Manchester banks in payment, which cheques are brought to the bank and cashed without charge for them, though they are not customers." Do you suppose that he means that those cheques are drawn by persons who have accounts at the Manchester banks?—Yes, they are crossed cheques, which in all probability people remit in the usual way.

Chairman—continued.

6848. Those cheques having been drawn by the customer of the Manchester bank, is the customer ultimately charged a commission upon them?—The customer of the Manchester bank who draws the cheque is charged a commission after the cheque is paid.

6849. But what Mr. Seebohm says is, that the small tradesman, a market gardener, or whoever he may be, who receives this cheque, has an advantage in getting it cashed without charge; that is not confined apparently to the case of banks which issue their own notes, because you do it who do not issue your own notes?—No, we should charge in such cases; if such holder of a cheque on our bank as Mr. Seebohm spoke of were able to present it at our bank he would get it cashed for nothing; but he takes it to Mr. Seebohm's bank, which is not bound to pay it, and they at once give him their promissory notes, not the money, for it without charge; if they had to pay him in Bank of England notes or gold they could not afford to do that business for nothing; it is only because they are able to pay him in their own notes that they can do him that service without charging for it.

6850. Mr. Seebohm means that they are brought to the bank at Hitchin and cashed there without charge, and that the bank at Hitchin would not be able to do that without charge unless it were an issuing bank?—That I take to be the meaning, and I have no doubt that it is so.

6851. Putting that construction upon it, which is probable; would you say that the existence of a bank, with a right of issue, was an advantage to trade in those parts of the country where there are a good many small transactions?—Yes, in that way.

6852. Should you think it a public inconvenience then that the right of issue should be withdrawn from the provincial banks?—Perhaps it might be practically; a small portion of the public might be inconvenienced, but I think that the public at large would be gainers by a better system.

6853. Should you be of opinion that there were less conveniences given in those parts of the country with which you are acquainted through your branches, and in which there are no issuing banks, than in those in which there were issuing banks?—I take it that people in my part of the country are very well satisfied with the advantages which they get from bankers, or there would very soon be some complaint, and I never hear of any complaints of the absence of local notes; a great many of those people would be very glad indeed to avoid our charge for commission under similar circumstances to those spoken to by Mr. Seebohm, but I think they have the good sense to know that as a part of the community at large they are better off without the issue of notes.

6854. Speaking for those parts of the country with which you are acquainted, you would not think that the abolition of provincial issues would be a matter of serious inconvenience to them?—I should think not serious.

6855. What is your opinion as to the advantages or possibilities of an issue upon the deposit of securities?—The promissory notes are a promise to pay certain metallic money, and securities are not the same thing. A man might hold very good securities, which might be worth

Mr. *T. Cooke.*

5 July 1875.

Chairman—continued.

many thousands of pounds, but if another man came and required him to cash a 5*l.* note, which he had promised to cash in sovereigns on demand, his securities would not avail him until he had gone through the process of realising them, and so he would fail in his promise to pay on demand.

6856. At the present time there are various banks in England with an authorised issue of about 6,500,000*l.*, which issue is against nothing; should you consider it an advantage, or otherwise, if those banks were required to deposit in the hands of the Government a certain amount of securities to specially secure the 6,500,000*l.* of issue to which they are entitled?—It would be an undoubted advantage. It would make their issues more certain ultimately to be paid, under any circumstances that might happen; but the amounts which most of the banks are empowered to issue are now very small in proportion to the business which they carry on, for since 1844, when the issues were fixed, the business of banks, I take it, has prodigiously increased; I know of none in which the business has not greatly increased, and therefore their issues are a very small portion of their liabilities. I think that most of the issuing banks are conducted with very great prudence, and that it would be really an unnecessary precaution at the present time, their issues being so strictly limited, to require any security from them; but at the same time I am bound to admit that their issues would be ultimately made safer by it, and that the principle of their being allowed to issue is wrong.

Chairman—continued.

Sir *John Lubbock.*

6857. What was the amount of your cash in hand, and balance at the bank, according to your last balance sheet?—The cash in hand, and in the Bank of England, at Christmas last, was 760,455*l.*

6858. May we take that as being about the usual amount?—The average of last year, taken week by week, was 738,000*l.*

6859. The total liabilities to the public being how much?—The deposits were 12,311,000*l.*

Thursday, 8th July 1875.

MEMBERS PRESENT:

Mr. Anderson.	Mr. Leveson Gower.
Mr. Backhouse.	Mr. Kavanagh.
Mr. Balfour.	Mr. Sampson Lloyd.
Mr. Campbell-Bannerman.	Sir John Lubbock.
Mr. Stephen Cave.	Sir Graham Montgomery.
Mr. Chancellor of the Exchequer.	Mr. Norwood.
Mr. Orr Ewing.	Mr. William Shaw.
Mr. Goschen.	Mr. Torr.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. JERVOISE SMITH, called in; and Examined.

Mr. *Smith.*

8 July 1875.

Sir *John Lubbock.*

6860. You are a Private Banker in London, are you not?—I am.

6861. A partner in the house of Smith, Payne & Co.?—Yes.

6862. You attend the committee of London bankers as deputy chairman of that body, do you not?—I do.

6863. You have taken particular interest, have you not, in the question which is now before this Committee?—I have; and I have been from the first a member of the committee appointed by the London and Provincial bankers, private and joint stock, issuing and non-issuing, to watch the progress of the Bill introduced by the Right honourable gentleman the Member for the City of London; that committee consists practically of the banking interest in England; some 555 separate banks and branches, I think, being included and represented therein.

6864. Do they all agree in supporting the general policy of Mr. Goschen's Bill?—They do.

6865. Do you consider that the Scotch banks have, in consequence of their legislative privileges, a monopoly of banking in Scotland?—Certainly.

6866. Do you think that it would be possible for an English bank, or for any new bank to establish itself in Scotland, under existing circumstances?—It has been proved not to be so, by the failure of one or two banks.

6867. It would not be possible for us even to have an agency in Scotland for the collection of bills and cheques, would it?—It would not.

6868. Of course an agency in one part of Scotland would not be sufficient; it would require establishments all over the country?—You would be compelled to have agencies as widely spread as the branches of Scotch banks.

6869. And you consider that if we are precluded from going into Scotland, there ought to be strong reasons alleged before those who have a monopoly of Scotch business are allowed to extend themselves beyond the area of that monopoly?—The Committee of English bankers is very strongly of that opinion.

Sir *John Lubbock*—continued.

6870. Any extension of monopoly you consider to be bad in the long run, in the public interest?—Certainly.

6871. Do you not think that the establishment of branches of Scotch banks in England would inevitably tend to a circulation of Scotch bank notes in this country?—Most assuredly. In the north the circulation of Scotch bank notes is very rapidly increasing in some places, and notably where any Scotch bank itself is placed. I have one or two returns before me which will afford some information upon that point. At Berwick the number of notes passed through Messrs. Woods' bank is 3,130 *l.* a week; through Messrs. Lambton's about 600 *l.*; and through other banks about 300 *l.*, making a total of about 4,000 *l.* a week; and the circulation is largest where there is a Scotch bank already established.

6872. What is the average amount of Scotch bank notes taken by Messrs. Woods & Co., at their branches where there is no Scotch bank?—Only 70 *l.* as against 3,130 *l.* where there is a Scotch bank.

6873. We are able in England to collect cheques and bills payable in any part of England free of any commission, are we not?—We are through the county clearing.

6874. No English country bank makes any charge for paying cheques or bills?—None whatever.

6875. If, on the other hand, we receive cheques or bills payable in Scotland, we have to pay a commission of 2 *s.* per cent. up to 600 *l.*, and 1 *s.* per cent. beyond 600 *l.*, have we not?—Yes; on bills or cheques.

6876. And it is the monopoly enjoyed by the Scotch banks which practically enables them to make that charge, is it not?—I presume that it must be so.

6877. Of course in the year your transactions with Scotland in that way amount to a very large sum?—Yes.

6878. Have you any information as to the amount of cheques and bills payable in Scotland which the Northumberland and north country

Mr. *Smith.*

8 July 1875.

Sir *John Lubbock*—continued

banks have to collect in the year?—Yes. By return from Newcastle it appears that Messrs. Lambtons & Co. collected 710,000 *l.* in the last year; Messrs. Woods & Co. collected 480,000 *l.*; the National Provincial Bank collected about 300,000 *l.*; and Messrs. Hodgkin & Co., collected about 150,000 *l.* On the other side of the country, at Carlisle, the City and District Bank collected 208,000 *l.*, and the Cumberland Union Bank at Carlisle collected 420,000 *l.*

6879. That is at offices at Newcastle and Carlisle alone?—Yes.

6880. Then in fact as there are comparatively few country cheques which amount to more than 600 *l.*, Messrs. Lambtons & Co., would be, in competing with a Scotch branch established at Newcastle, at a disadvantage of 700 *l.* a year?—Yes.

6881. In addition to the expense to which we are put by those charges for commission there is considerable trouble, is there not, in making numerous entries?—Certainly; there is a debit for every cheque for a commission.

Mr. *Goschen.*

6882. Is there a separate entry?—There is a separate entry.

6883. Both in your books and in the pass-book of your client?—Yes.

Sir *John Lubbock.*

6884. Have you known any case in which an account has been removed from your bank in consequence of the establishment of a Scotch bank?—Yes; in consequence of a Scotch bank having a branch in London.

6885. Was that in consequence of the advantage enjoyed in collecting cheques and other drafts in Scotland in consequence of the freedom from those charges for commission?—That is the reason urged.

6886. It has been alleged that one reason which makes it desirable in the public interest that the Scotch banks should come to London is, that it gives them a greater facility for accepting three months and six months drafts from India and foreign countries; do you regard that as a desirable state of things or not, in the public interest?—Great exception has been taken to it; it is considered to be business which is quite apart from true banking business.

6887. The London bankers, as a general rule, accept, to a comparatively small amount, do they not?—Certainly; they avoid the business altogether as much as they can.

6888. Do you find, practically, that the Scotch banks which are established in London have launched out very considerably into this accepting business?—Judging from their own balance sheets the increase is very marked, especially in the case of the three banks which have come to London.

6889. Out of the 5,000,000 *l.*, which is the whole amount that the Scotch banks have under acceptance, I think that the Bank of Scotland has 1,600,000 *l.*, and the National Bank has 1,200,000 *l.*?—Those are, I think, approximately, the figures given in their balance sheets.

6890. Were not the acceptances of those two banks very much smaller before they came to London?—Very much smaller.

6891. It has been alleged that the establishment of Scotch banks in England would be an advantage to the public because it would tend to lower the rates of interest, and thereby benefit the commercial community; do you think that the transfer of 1,000,000 *l.*, or 2,000,000 *l.*, or 3,000,000 *l.* from Scotland could have an effect upon the general rate of interest in the country?—It could certainly have no appreciable effect.

Sir *John Lubbock*—continued.

6892. It has been stated in evidence before this Committee, that the unemployed funds of the Scotch banks in Scotland amount on an average to 1,000,000 *l.* sterling; of course they must keep some reserve in Scotland, but even supposing that the whole 1,000,000 *l.* was brought to London do you think that it would produce the slightest effect upon the average rate of interest?—Not in the least.

6893. You base that opinion, I presume, upon the very large amount which is employed in discounting bills in England, an amount in comparison with which 1,000,000 *l.*, more or less would be quite inappreciable?—Quite inappreciable.

6894. Moreover, the rate in London is practically influenced by the general rate throughout the mercantile world, and therefore without altering that rate it would be impossible to alter our rate in London, would it not?—Most certainly; we could not alter it here by ourselves.

6895. Have you any reason to believe that the Scotch banks would have been likely to increase their business in England by purchasing some of the English county banks?—I have very strong reason to believe that to be the case. At the time when the Bill of the Right honourable gentleman came on for second reading, there was a report very generally circulated that negotiations were already concluded for the purchase by one of the Scotch banks that has crossed the border of an English country bank with several branches. Of course it may be considered only a rumour, but it is one which was in everybody's mouth, and it has never been contradicted in the slightest degree.

6896. Do you not consider that that would inevitably lead to a great increase of the circulation of Scotch notes in England?—It must; they must follow the Scotch banks according to all precedent.

Mr. *Goschen.*

6897. As circulation or as issue; they would not be entitled to issue them?—No, as circulation. They would be payable and accepted at the Scotch banks free of charge. That has been given in evidence, I think.

Sir *John Lubbock.*

6898. I suppose you do not deny that the existence of the 1 *l.* note circulation in Scotland, by very greatly economising the use of gold, confers a considerable advantage in the shape of interest upon the people of Scotland?—Most certainly it does.

6899. On the other hand, there is no doubt, is there, that the existence of a gold circulation in a country is of very great importance as tending to regulate the exchanges, to mitigate the effects of a bad harvest, and generally to give stability to commercial operations?—We hold that to be the case.

6900. Under the existing arrangements the advantages of the 1 *l.* note circulation rest with Scotland,

Sir *John Lubbock*—continued.

Scotland, and the burden of maintaining the gold reserve is thrown upon England, is it not?—Certainly.

6901. Do you consider that that is a state of things which is fair to this country?—Not when the Scotch banks cross the border and compete with us.

6902. On the whole, then, I gather the general tenor of your evidence to be that while the English banks were willing to acquiesce in their exclusion from Scotland as long as matters remained as they had been, still they consider it unjust that they should be practically excluded from Scotland if the Scotch banks are to be allowed to come to England?—That is our argument; we contend that it is impossible for the English banks to go to Scotland, and that the Scotch banks come here clothed practically with a subsidy from the Government.

6903. And that impossibility of the English banks going to Scotland arises from the legislative privileges of the Scotch banks, and especially from their power of issue, does it not?—Yes; from the monopoly which arises under their legislative privileges.

6904. In fact, you contend that either the same privileges ought to be given to the English banks as are enjoyed by the Scotch banks, or that the Scotch banks ought to be deprived of their present exclusive privileges; or, if it is thought desirable to continue to them the monopoly which they have so long enjoyed, that in that case they should be required to confine themselves within the area of that monopoly?—I should say that the best thing would be that they should confine themselves within the area of their monopoly; otherwise one or other of your suggestions should be adopted so that we should come into the field on equal terms; I am not prepared to alter the existing arrangements or to suggest that they should be altered at the present time.

6905. The competition in banking in England is very keen at present, is it not, so that anything that gives one set of banks an advantage over another would practically deprive the public of the advantage of free and equal competition between banks?—We hold that on public grounds the incursion of the Scotch banks ought to be stopped; we do not believe that the public will be benefited; and indeed the Scotch banks themselves have stated in evidence that they will neither bring more money nor will they charge lower terms.

Mr. *Anderson*.

6906. Would you go so far as to drive out the Scotch banks who are already in England?—I should close the establishments so far as banking is concerned, certainly.

6907. Would you make them any compensation for the goodwill of the business which they have created?—If they have any business that is at present worth talking about, it is a matter of question. I think that they transgress the spirit and intention of the Act in coming here and opening branches.

6908. But not the letter of the Act?—The legal gentlemen, with certain exceptions, say so.

6909. You said that having a gold circulation in a country mitigated the effect of a bad harvest; will you explain what you mean by that, or how it does so?—Having gold in circulation at the moment is of the greatest possible advantage in meeting the sudden demands in the country, and not having a drain thrown upon the Bank of England, or any other single establishment in London at one moment.

Mr. *Anderson*—continued.

6910. Is the gold which is circulating through the country of any use for such a purpose?—It has always been found so.

6911. If it is circulating through the country, how do you make it available for meeting a foreign drain?—It becomes more valuable; it meets the case. I do not presume to exactly define how, but it certainly has been found to mitigate the pressure upon the central establishments in London.

6912. How do you show that it has been found to mitigate the pressure upon those establishments?—It was believed to be of great importance, and of so great importance that the issue of small notes in England was forbidden.

6913. That is an old story, is it not?—Quite so; but it was in consequence of the value that was set upon having a gold circulation in the country.

6914. But you have not yet stated in what way it has the effect of enabling you to meet a foreign drain; will you show how it is that gold that is in the pockets of the people of the country, and that is needed for the wants of the country, can help you when there is a foreign drain?—Because when there is a drain, they do not come to exchange their notes for gold; they have the gold in circulation.

6915. They have the gold in circulation, and they do not come to change the notes for gold?—Certainly.

6916. Supposing that they had notes, would they come to change the notes for gold?—They do.

6917. When and where?—When there is a drain of gold they instantly exchange the notes.

6918. Whenever there is a foreign drain of gold there is instantly a rush to get the notes changed; is that your experience?—I am afraid that I have not quite made myself understood. When there is a pressure, a tightness of money, there is then a general drain of gold.

6919. I understand that the gold is drained away from the Bank of England, but is it drained out of the pockets of the people? Your position is that the gold which is circulating in the pockets of the people helps you with a foreign drain; I want to know how that helps you with a foreign drain, because I do not myself believe it?—If there were nothing but notes in circulation, if there were not a certain proportion of gold, the drain of gold from the banks would add further pressure to the foreign drain.

6920. In Scotland, where they have a circulation of nothing but notes, has it that effect?—I believe that it has not been found so except in one or two instances.

6921. But you think that it would be found in England if you had a 1 *l.* currency in England?—It was found by experience.

6922. That was in the olden times, but things are very much changed; a great deal has happened since 1825?—It would entirely depend upon what basis those notes were issued.

6923. Have you any great objection to a circulation of 1 *l.* notes?—I have no desire to see the existing state of things altered at all.

6924. You are content with the present state of matters in every respect except as to having

Mr. *Smith.*

8 July 1875.

Mr. *Anderson*—continued.

Scotch competitors; and the only change which you would make in the law would be to drive out your Scotch competitors; is that so?—I do not wish to have Scotch competitors with the Scotch privileges.

6925. In all other respects you are quite content with the present state of the law?—I am perfectly content with the present state of the law, and I am ready to meet any competitors who come upon equal terms.

6926. I think you said that Scotch notes would be taken without charge by the Scotch banks if the Scotch banks came to London?—I said that it had been given in evidence that they did so.

6927. Was not the very opposite given in evidence, viz., that in London, for instance, they made a charge?—I said that it had been given in evidence that the branches of the Scotch banks in the country take Scotch notes, and make no charge for them.

Mr. *Campbell-Bannerman.*

6928. You have spoken about Scotch notes circulating in Berwick, but you are aware that Berwick is not exactly a part of England?—Geographically I could not say, but legally, I believe it is.

6929. Are you aware that Berwick is the market town of Berwickshire, which is a Scotch county, and that although it is not the county town in a formal way, it is really the market town in which the greater part of the business of Berwickshire is done?—Legally, I believe it is an English town.

6930. Technically it may be so, but practically it is a Scotch town, is it not?—That is a geographical question, which I am not prepared to answer.

6931. We have been told that Messrs. Woods & Co. receive at six of their branches 3,200 *l.* a week of Scotch notes, but that there are only 50 *l.* or 60 *l.* of those received at the other branches which are really in England, and which are therefore centres of English business; does not that affect the question?—Not according to our view in the slightest degree.

6932. You still regard Berwick as England, and even the trade which centres at Berwick coming from Berwickshire as English trade?—I stated that where there was a branch of a Scotch bank there was an enormous increase in the circulation of Scotch notes.

6933. Have not your firm acted as agents for some of the Scotch banks?—We still act for one, and we used to act for another.

6934. I do not wish to say anything of an invidious kind, but their coming to London would take business of course from yourselves, and from other bankers in London who had hitherto acted as agents for the Scotch banks?—That particular bank, the bank in question, has taken no business that I am aware of from us at all.

6935. But the agency was a profitable matter to you, was it not?—It was a very onerous business; and, as a matter of fact, it was not a great loss in that way, except for the connection, and the very friendly intercourse which we had had for upwards of 30 years.

6936. Is it not the practice of private and joint stock banks to accept bills in London?—Yes, for their correspondents.

6937. Are they not bills chiefly drawn by

Mr. *Campbell-Bannerman*—continued.

foreign and colonial correspondents with collateral securities?—We only accept for our correspondents in the country upon their authority, and not against the goods in any way.

6938. Do you know what is the largest amount of acceptances recently reported by any joint stock bank in London?—No, my memory hardly serves me as to that.

6939. You are not aware that in the published accounts of the Union Bank it is stated that the amount of their acceptances is 4,956,984 *l.*?—I could not say whether it was so or not.

6940. Supposing that the largest amount reported to the Committee as the acceptances of a Scotch bank was 1,600,000 *l.*; do you consider that too large a sum?—The two cases are not in the least degree identical. The London banker would accept on behalf of his country correspondents, the banker in Scotland, we will say, or the banker in the provinces. The Scotch bank accepts directly against the goods.

6941. But they have equally good means of obtaining information, and they may conduct their business quite as safely and as prudently as a London banker, may they not?—Yes; but the London banker has the security of the provincial or Scotch banker as well. He does not take the goods, only he has that in the background; his correspondent has the goods, and he has the security of the bank.

6942. So that the risk is spread over the two banks?—Yes; and the London banker has the security of the provincial or Scotch banker to support him.

6943. But if the business is unsound in itself, it does not much matter, does it, whether one bank or two are involved?—No London banker would accept credit lodged by a correspondent to the extent you have named for one correspondent.

6944. Do you think that this large sum of nearly 5,000,000 *l.*, which is reported as being the amount of the acceptances of the Union Bank, must be mainly composed of acceptances on behalf of their correspondents?—I should rather leave the Union Bank to speak for itself. My impression is that they accept largely for an Indian bank of very great importance.

Mr. *Goschen.*

6945. Do you know what would be the next largest amount that any bank accepts below the Union Bank?—Speaking from memory, from published accounts, I think that the City Bank is the next.

6946. What would be the amount in their case?—I am afraid that I cannot speak accurately as to that, but I think that it is 2,000,000 *l.*

6947. The amount of acceptances in the case of the Union Bank is very much larger than in the case of any other bank in London, is it not?—Very much larger.

Sir *John Lubbock.*

6948. And the Union Bank is not an issuing bank, is it?—The Union bank is not an issuing bank.

6949. Would not, that in your opinion, make a very great difference?—The main difference, so far as the public are concerned.

6950. Are

Mr. *Orr Ewing.*

6950. Are you aware, from your own knowledge, of the nature of the acceptances of the Scotch banks?—No, except that I see them constantly; they come under my hand, and they appear to be in the form of a pure and simple credit.

6951. Are they not principally drafts by foreign bankers against the Scotch banks?—No.

6952. Have you never seen bills of that kind?—I will not say that I have never seen them, but in the case of the majority of the Scotch bank acceptances to foreign drafts that I have seen, the draft itself is drawn by merchants in Bombay and Calcutta. Those are the bills which I have seen most recently.

Mr. *Goschen.*

6953. The same class of bills as would be drawn on ordinary mercantile firms in London?—Exactly.

6954. You have seen bills of this character, I understand?—Very frequently indeed; I do not feel justified in naming the drawers, but I could do so very readily.

6955. If it were absolutely necessary, and if it were considered proper, you could probably show the Committee bills of that kind?—Directly.

Mr. *Campbell-Bannerman.*

6956. But, of course, you cannot say of all this amount that it is composed of the kind of acceptances that you object to?—I cannot say it of all; I have judged a great deal from the returns of the banks themselves; they sub-divide the amount into drafts and acceptances.

Mr. *Orr Ewing.*

6957. Have you known any serious loss that the Scotch banks have sustained from their acceptances from abroad?—So far as I know, it is quite a new class of business into which they never went largely, until the other day when they came to London.

6958. What do you mean by the other day?—The acceptances of the Scotch banks, I think, never increased very materially, till some five or six years ago.

Sir *John Lubbock.*

6959. And that was only in the case of the National Bank?—First in the case of the National Bank, and then of the Bank of Scotland far more recently, but it is only a day in the life of a Scotch bank.

Mr. *Campbell-Bannerman.*

6960. Does it sometimes happen that a partner or partners in a London banking house are also partners in one or two English country banks?—Certainly.

5961. That is the case in your own firm, is it not?—In my own family.

6962. Is there any practical or legal difficulty, in your opinion, in an English private bank of issue having also a house in London by the simple addition or withdrawal of a partner?—I should hardly like to give an answer to the legal part of the question, but I think that there is a practical difficulty, because it would be a dishonest evasion of the intention of the Act.

6963. You have some experience of the business of country banks of issue, and also of the business of London non-issuing bankers, have you not?—I am not connected directly with any country bank of issue; I am not myself a partner in any country bank of issue.

Mr. *Campbell-Bannerman*—continued.

6964. The settlement of balances of transactions through the clearing house in London by cheques is a great advantage to the London bankers, is it not?—It is.

6965. Can you compare that advantage with the advantage of an issue of which it, in some sense takes the place?—Not in the least. I do not follow that.

6966. Do you not think that the clearing house affords a facility in London which in the country is given by an issue?—No; an issue is practically capital. There is no corresponding benefit resulting from the clearing; it gives us no additional capital.

6967. But you do not require to keep money in your tills?—We have got it at the Bank of England.

6968. But you do not require to keep money for the purpose of settling your balances?—Yes, we do indeed; every clearing banker has an account at the Bank of England; he has not the bank notes in his own till, but he has them on the opposite side of the street.

6969. Then there is no saving of interest on till money by the use of the clearing house?—No.

6970. The Scotch banks, I think, have not been admitted to the clearing house?—They have not.

6971. Can you say on what ground they have not been admitted?—No bank is a member of the clearing house unless it has its head office and board in London.

6972. The National Bank comes under that category, does it not?—It does.

6973. Is that the reason why it has been admitted to the clearing house?—That was the reason why the application could be entertained at all.

6974. You could not even consider the question of the other Scotch banks joining the clearing house?—No, not as at present constituted.

Mr. *William Shaw.*

6975. You are in favour of Mr. Goschen's Bill, I suppose?—I am on public grounds.

6976. Are you aware that the English private banks of issue assert that they have a right to come to London without losing their issues?—In one single case I have heard it stated, but I do not know whether it was stated on good grounds or not.

6977. You have as much cause of complaint, have you not, against the English private banks of issue coming to London if that is the state of the law as against the Scotch banks or the Irish banks coming to London?—If they came to London they must lose their issue, but the question has never been tried, and I am not prepared to offer an opinion upon it.

6978. If that is the state of the law, you would consider that it was just as injurious to your interest as the Scotch banks coming, would you not?—It would be as unfair to a modified extent.

6979. And you would therefore seek to have Mr. Goschen's Bill modified in that direction, so as also to exclude English private banks of issue, if the law would allow them to come?—We hold that no banks with those particular privileges should come to London.

Mr. *Smith.*

8 July 1875.

Mr. *William Shaw*—continued.

6980. Are you afraid of the introduction into London of the Scotch system of banking?—I hardly know how the Scotch system differs from ours, their charges seem to be the same.

6981. Is not the system of giving cash credits to small traders very much more extended in Scotland than it is in England?—Those are concessions which they can make in consequence of having such a large privilege of note issue.

6982. Do you think that that is an advantage to a country?—It was conceded to Scotland in consequence of its poverty, to take the words of Sir Robert Peel.

6983. Do you think that there is sufficient banking accommodation in London at present, considering the population, and considering that the greater number of the large banks are centered in one small spot?—Fully sufficient. Wherever it is worth while to set up a branch, it appears to be done.

6984. Do you know the number of branches in the suburbs of London compared with the population?—No, I am not prepared to state that.

6985. Is it a common thing for a trader in the suburbs of London, or in many of the principal streets, to keep a banking account?—It is quite general.

6986. Do you think it is as common here as it is in Scotland?—I have never lived in Scotland.

6987. If the branches here were much more extended, as is the case in Scotland, it would naturally increase the facilities of keeping banking accounts, would it not?—I presume that it would.

6988. Is it not much more difficult in London for a trader to get his business done in a bank than it is in Scotland; have you not a system of bill brokers and middle-men between the banker and the trader?—No, we do business directly with our own customers, and I presume that every other bank does the same.

6989. Is it not the fact that bankers in London will lend very freely in very large amounts on bills, when they will not discount for ordinary traders?—I have never known such a case.

6990. Then you think that the state of the law as affecting banks of issue in England requires no amendment, except in this one direction?—I am not prepared to suggest any other amendment.

Mr. *Kavanagh.*

6991. You said, I think, that you considered that there was quite sufficient banking accommodation in London?—So far as I am aware there is ample banking accommodation in London.

6992. Do you agree with the witness who was examined before the Committee on the last occasion, Mr. Cooke, who stated that he thought the country was over banked?—I am afraid that I am hardly so competent to give an opinion upon that matter as a provincial banker.

6993. You do not think that London is over banked?—The competition is exceedingly keen here; I can answer for that.

6994. As to the increase of the circulation of Scotch notes which you spoke about, wherever it does take place in England; do you think that it is a risk to the public?—I think it is decidedly a disadvantage to the Scotch note-holders, that the area of the operations of the Scotch banks should be extended.

6995. How would it be a disadvantage to the Scotch note-holders?—We contend that the security of the notes is impaired if the Scotch banks extend their operations beyond Scotland.

6996. And that in that way, it is a risk to the public?—It is, and it has been proved to be so.

Mr. *Leveson Gower.*

6997. But supposing that they act prudently when extending beyond their area, there would be no risk, would there?—I can only judge from what has already happened in the case of one bank which extended its operations out of Scotland, and which collapsed.

6998. Did they not show very great imprudence in the way in which they extended their operations?—I had no part in the management of that establishment.

Mr. *Kavanagh.*

6999. Do you refer to the Western Bank?—I do.

7000. I want to test how it can be a risk to the public, because I look upon that as about the most serious part of the whole question?—I presume that if the reserves which at this moment are temporarily invested, were permanently invested, as they were in the case of the Western Bank of Scotland, the result would be the same as that which attended the Western Bank of Scotland, which failed, leaving the note-holders in the same position as the depositors, that is to say, obliged to wait for their money. The note became, except for an arrangement that was made at the time, practically valueless so far as the Western Bank was concerned.

7001. I believe the Western Bank paid up everything ultimately, did it not?—Yes, and the other banks intervened in respect of the notes; but that would become more difficult as the number of banks became more limited.

7002. I do not quite understand how that would be?—What 11 banks would undertake would be more difficult for 10, or 9, or 8, as the number of banks in Scotland gradually diminishes.

7003. Do you look upon it as a certain fact that the number of banks in Scotland would diminish if they extended their circulation outside Scotland?—I think they run the risk that was incurred by the Western Bank, which I believe to be an undue risk as note issuers.

7004. Are the Scotch banks of limited liability or of unlimited liability?—I am hardly able to answer the question, but practically I believe they are unlimited in their liability.

Mr. *Sampson Lloyd.*

7005. With reference to the questions put to you by the honourable Member for Carlow as to the risk to Scottish bankers trading in England, is not one reason, for your apprehension, that the business which a bank carries on very far from its centre of management must necessarily be carried on with less knowledge on the part of the directors, of the persons, and of the character of the business so far from the centre?—Certainly.

7006. That applies especially, does it not, not merely to Scotch banks, but also to all banks which would trade very far from their centre of management?—Yes.

7007. As to bill brokers and banks lending on bills, I presume that bankers do not object to lend for investment on the security of first-class bills,

Mr. *Sampson Lloyd*—continued.

bills, sums of money repayable at call or short notice, when they would not discount over the counter possibly for a person of less credit, whether to a bill broker, or on a bill brought over the counter, which is not so good as a bill broker hands to the bank?—It would be a matter of arrangement, but I have never known a bank to refuse accommodation to a customer, or to make advances to a bill broker to the prejudice of their customers, which I understood to be the question.

7008. The point of my question was to elicit whether you do not consider it quite consistent with giving full accommodation to your customers, for a London banker or any other banker occasionally to lend money on the security of first-class bills to bill brokers?—Of course.

7009. The first is accommodation, and the second is investment?—Yes.

7010. The first is for the customer's purpose, and the second is for the banker's purpose. As regards the unfairness of English country banks of issue coming to London, I think you said that you should feel it to be unfair because the English country bank has certain privileges which its competitors in London would not have?—Exactly; the principle is the same.

7011. But are not its privileges enormously less than the privileges with which a Scottish bank would be armed when it came to London?—Certainly; and I think I added that to my answer.

7012. Is not one of the most important privileges which the Scottish banks have, namely, that of issuing notes against the gold and coin which they are obliged for their own purposes to keep in the bank as till-money, a privilege which is denied to the English country banks of issue?—It is; and it is the most important privilege that they possess.

7013. So that, though on principle you would object to the English country banks of issue coming to London, you would consider their competition very much less important than the competition of Scotch banks coming to London?—Certainly, because their issues are restricted.

7014. It is, perhaps, as well to try and make it clear as to the foreign drain of gold referred to in a question asked by the honourable Member for Glasgow. Is not the operation somewhat thus: a demand for gold arises in preference to other articles of export; that alters the rate of exchange unfavourably to England, and those parties having a claim upon the Bank of England, either by possessing its notes, or by having deposits in its hands, exercise that claim; and on the Bank of England rests the responsibility of providing gold to meet it?—Yes.

7015. May it not provide gold to meet it, either by attracting gold from abroad to meet the claim, or by making the claim less and ultimately causing it to cease, by rendering it unprofitable to exercise the claim?—Certainly.

7016. Therefore I presume that the primary mode in which the Bank of England would meet a foreign drain of gold would probably be by attracting it from abroad?—Yes, by raising the rate.

7017. And the only way in which it would diminish the circulation of sovereigns in the country, would be by the exercise of pressure, to cause such a cessation of the transactions, or such a lowering of prices as that gold ceases to be employed in the country, and so filters gradually into the bank?—Yes.

Mr. *Sampson Lloyd*—continued.

7018. On the point of English country banks of issue coming to London; is it not the fact that the London banks used at one time to issue notes?—They did.

7019. So that they were disposed to avail themselves at that time of the privilege which the law then allowed them?—They did. Up to 1844 there were bills on demand which Messrs. Coutts & Company used to issue largely. I have one here which I could show to the Committee.

7020. Were those circular notes payable in England, or were they for Continental use?—They were for home use. They were not circular notes; they were bills on demand. Messrs. Coutts & Co's. was the last bank that issued them in London.

Mr. *William Shaw.*

7021. Did any joint stock bank issue them?—Not to my knowledge.

Mr. *Sampson Lloyd.*

7022. But at a previous period, was it not the fact that several London bankers issued notes?—Yes; a long time ago.

7023. Was it not the fact that they were prevented from doing so, not by their own choice so much as by the Act of Parliament in the name of public policy?—Yes.

Mr. *Goschen.*

7024. Is it generally held that what is generally and popularly called banker's business is, on the whole, safer than merchant's business?—Yes.

7025. Are there certain legitimate risks which a merchant would run which are considered to be, generally speaking, not legitimate in the case of a banker?—There are; and a banker generally avoids them as much as possible.

7026. Is there in the City of London a recognised difference between banker's business and merchant's business?—We have always held that it is so.

7027. Is it considered that a bank which holds large deposits for other people is under certain obligations to refrain from risks which are considered legitimate in mercantile transactions?—The leading establishments in London, I think, act under that rule.

7028. Would it be considered contrary to the principle of banking to deal largely in goods?—Certainly.

7029. A business in goods would, of course, be legitimate in a merchant?—Yes; but it would be perfectly foreign to the business of banking proper.

7030. How far would it be considered legitimate in banks to involve themselves in transactions, the results of which were dependent upon the rise and fall of goods?—We hold it to be quite beyond the province of a London bank to engage in any business of that kind.

7031. Would you say the same of provincial bankers?—I should; and especially of those who have a debt to the public in the shape of a note issue.

7032. So far as you are aware, is the system of accepting against goods, if it prevails to any extent amongst London banks; that is to say, looking to the security of the goods more than to the

Mr. *Smith.*

8 July 1875.

Mr. *Goschen*—continued.

the security of the drawers, an innovation in London banking?—We believe it to be so; we have never known it carried on before.

7033. The view of the banker is that he depends upon personal security, or the security of funds and stocks?—Exactly; securities in hand.

7034. But he engages less, does he not, in transactions where the great fluctuations in the market would involve possible losses?—He never engages in transactions of that kind which would bring him into competition with the mercantile world.

7035. Would you consider the business of accepting for account of foreign exporting; that is to say, exporting in foreign countries, banker's business or merchant's business?—Merchant's business.

7036. Supposing that there are exporting houses in Bombay who wished to send goods to England, and so draw at six months against those goods, is the accepting of bills of that kind mercantile business or banking business?—It forms part of the business of Colonial and foreign banks, but it would be quite beyond the province of English bankers.

7037. When you say foreign banks, do you mean banks in the proper sense of the term who have deposits, and accounts, and cheques, across the counter in London?—No; I mean banks which merely have their agencies here, but which transact business on the Continent, or in India, or in other places.

7038. But as a general rule London banks would not involve themselves in transactions of that kind, would they?—Never.

7039. Does a large proportion of the bills drawn upon London bankers consist of bills drawn at six months?—Certainly not.

7040. Bills drawn upon such banks as the Oriental Bank Corporation and the Indian banks would be a different thing?—Those would be six months' bills.

7041. That would be their legitimate business, would it not?—That would be their legitimate business; they are constituted for that purpose.

7042. Do bills often bear their history upon the face of them?—In the case of foreign bills they generally specify what they are drawn against; such and such a shipment.

7043. Would the expenses of a branch of a Scotch bank in London be heavy?—Judging from my own experience, I should think they would be very heavy.

7044. Knowing what you do of bank employés, and the salaries given to managers and so forth, would you think it necessary that a liberal and adequate salary must be paid to the manager of any bank in London, to whom great discretion must be left, and upon whom great responsibility would rest?—Certainly; and I believe that that is the case.

7045. It would require a considerable salary, would it not?—I believe that that has been found to be the fact.

7046. Is there not considerable competition for good bank managers in London?—I understand that to be the case.

7047. So soon as some experience was gained, any really successful manager would be able to command a high salary in London, would he not?—Assuredly; the supply is not at all large.

7048. Therefore, in the case of the establishment of a bank in London with a good manager, the expense involved would be so considerable that it would be necessary for a bank of that kind to have a considerable business in order to pay its London expenses, would it not?—I should hold that to be the case; they could not avoid great expenses in an establishment in London now.

Mr. *Goschen*—continued.

7049. Is the business of accepting a more remunerative business than the ordinary banking business?—It is.

7050. Could you give any illustration of that?—It is a commission business, and I do not know whether I could offer this in evidence; but it has been pointed out that in the case of one or two of the banks that have come to London, the apparent increase in the profits would correspond very nearly with the presumed commission on the acceptances put down in their report.

7051. If the general feeling of the London bankers is against acceptances for mercantile accounts, if the Scotch bankers do that class of business, they do not compete with you in your own field for that business?—They do not.

7052. They compete with you as regards the commission business with Scotland?—Yes, and for general business in England.

7053. As regards accepting, if they do compete with you, whatever may be your private opinion as to its being legitimate banking business, at all events, you do not complain that they take your business away?—No, not in that one particular; but they may invite accounts by offering to give acceptance, or give credit, which their customers certainly would not receive as a general rule from London bankers.

7054. I understood you to say that you could speak positively to the fact that an account had been withdrawn from your firm on account of a Scotch bank being able to do their business free of commission for them?—I can speak positively to that fact.

Mr. *William Shaw.*

7055. Was it a Scotch firm?—It was not.

Mr. *Goschen.*

7056. I presume that such instances would be likely to occur in that branch of business where there are English houses doing business with Scotland?—Yes.

7057. Was this an account which had been with you for some time?—For a great number of years, and it was with great reluctance that they separated from us, and they expressed their regret that they were compelled to do so by the greater advantages that were offered to them as their business rested mainly in Scotland.

7058. Could you give the Committee an estimate of the cost to that firm of the commissions of the year?—It would be rather difficult to do so. The sums remitted were constantly large, but they varied from time to time. The commission paid to the Scotch bankers was a tax which the company did not think it was fit or right that they should continue to pay, and when they had an opportunity they were obliged to withdraw from us, that opportunity being afforded when one of those Scotch establishments was set up in London.

7059. Did they move their account from you to one of the Scotch establishments?—They did.

7060. Was

Mr. *William Shaw.*

7060. Was it the commission that you charged them on their ordinary account, or the commission on their Scotch business which caused them to withdraw?—They stated that their reason for withdrawing was that their business lay a great deal in Scotland, and that in consequence of the establishment of a London agency of a Scotch bank, they found it to be more in the interests of their proprietary that their business should be conducted free of charge as it would be with the Scotch banks.

Mr. *Goschen.*

7061. Did you charge them any commission?—We charged them no commission on their account; it was a commission on the remittance of money from Scotland, or the collection of cheques from Scotland.

7062. It was a commission that did not go into your pocket, as I understand, but a commission charged to you by the Scotch banks?—Quite so.

7063. You lost the account, not because you made a charge which went into your pocket, and which the Scotch banks were willing not to make, but because you had to pay the Scotch bank for transacting the business, and then you had to charge that commission to your customer to recoup yourselves, whereas the Scotch bank was willing to do it gratuitously for your customer?—That is the way in which we understood the communication.

7064. You are positive on the point that you yourselves made no charge for commissions which was objected to, but that they were commissions which you had to charge because you had to pay them to the Scotch bank?—They never raised one single objection; on the contrary, they expressed themselves as very sensible of all the advantages that they had received during the time that they had been with us; but they said that their business lay in Scotland; they found it now more desirable to do their business through a Scotch bank when it had an office in London.

7065. Was it an English firm trading with Scotland, or a firm in Scotland?—It was a foreign firm.

7066. Where was its head office?—Its head head office was abroad; it was not in England.

7067. But not in Scotland?—It was not in Scotland.

7068. And they found it more to their advantage to go direct to the Scotch banks, as they could their business cheaper in that way?—That is the inference which we drew. They stated positively that now that so many of their transtions were with in Scotland, they found it desirable in consequence to open their account with a London branch of a Scotch bank.

Mr. *William Shaw.*

7069. But it might be for other reasons besides the charge; of course, their customers dwelling in Scotland, they would be better informed as to their standing through a Scotch bank?—There was no question of standing.

Sir *John Lubbock.*

7070. When you say that their transactions were in Scotland, you mean, I presume, that their transactions were between England and Scotland?—I do.

7071. And that in collecting in London cheques payable in Scotland, you had to pay a commission to the Scotch banks?—Yes.

7072. If their transactions of that character had been in Cornwall or in Wales, or in any other part of England, there would not have been any such question, would there?—No, we believe that the question would never have arisen at all.

Mr. *Goschen.*

7073. You use that as an illustration of the manner in which by means of their monopoly in Scotland the Scotch banks retain in their hands the collection of funds in Scotland?—I do.

7074. And for that they are able to charge the London banks a commission, whereas if they do the business themselves through branches in Scotland, if they choose they can do it free of commission?—Exactly.

7075. And in that way you are handicapped by a charge, which in the general competition of banking, renders it difficult for you to succeed in keeping any portion of the business which is connected with Scotland?—It must interfere materially with all that business.

Mr. *Orr Ewing.*

7076. You think that it is illegitimate that bankers should transact business in goods?—Yes.

7077. What do you mean by transacting business in goods?—Upon the security of produce.

7078. I suppose that you allude to foreign bills which are drawn against goods consigned to this country, and to which the bills of lading are attached, which is a perfect security that the goods that they represent shall go as far as they may go, or beyond it, in payment of that bill?—I have never seen a bill of lading attached to any one of those drafts, and there is nothing upon the face of the drafts which shows that they are drawn with any bill of lading attached.

7079. Do you mean to say that a bill which is drawn without a bill of lading attached to it is drawn against goods?—I cannot say what it is drawn against; there is no evidence that it is drawn against goods.

Mr. *Goschen.*

7080. But you have seen bills, have you not, where it is said, "per shipment per so and so," but without a bill of lading?—Without a bill of lading.

Mr. *Orr Ewing.*

7081. But you are aware, are you not, that all bills of exchange are taken to represent property of some kind or other?—They represent property or credit.

7082. They ought always to represent goods, ought they not?—They ought always to represent goods or credit; they might be drawn against credit opened here against securities.

7083. That is not the kind of bill that you are speaking of, surely?—No, it is not.

7084. Bills that are not bills of credit, are bills that ought to represent goods, are they not?—They ought.

7085. And, therefore, every Bill which is drawn from India, or America, or any part of the world, is of that class which you condemn?—I do not condemn the business.

7086. I will change the word; it is of a class which you consider illegitimate?—Illegitimate for a banking house to accept.

Mr. *Smith.*

8 July 1875.

Mr. *Orr Ewing*—continued.

7087. Are the largest proportion of bills coming home from India, drawn upon banks upon that system?—Upon foreign banks principally, or rather they used to be; I have seen, lately, a very vast number drawn upon the Scotch banks.

7088. Have you not seen a very vast number drawn upon the English joint stock banks?—No, I have not.

7089. Perhaps your business is more confined to Scotland than it is to England, because you seem to be only aware of the Scotch bills, and not of the English bills; are you not aware that the London joint stock banks conduct a very large business in accepting those bills?—Of my own knowledge, I am not.

7090. The Union Bank, you are aware, does it?—A statement was made to that effect.

7091. Have you never seen them?—I have stated that I have seen the Union Bank acceptances; and I believe that they accept on behalf of an Indian bank of very great credit.

7092. Does not the London and Westminster Bank accept bills of that class?—I cannot say that they do not do it at all, but I know that they deprecate the practice entirely, and avoid it by every possible means in their power.

7093. Do you not think that it would be an excellent system for the trade of England, if all bills had the bills of lading attached to them?—I think that that is a question which rather concerns mercantile men than ourselves.

7094. But do not you as a banker consider that it would be a much safer system of conducting foreign business if bills of lading were attached to all the bills to show that they were drawn against that particular produce?—Possibly it might be.

7095. Would not that be a bill against goods?—Yes.

7096. Would it not prevent the illegitimate business which sometimes occurs at present when bills are drawn representing no property at all?—It might.

7097. Would it not have that effect?—I hardly see the drift of the honourable gentleman's question.

7098. Supposing that it were an universal custom in India to attach to all bills drawn the bill of lading, would it not prevent bankers from floating bills that had not bills of lading attached to them?—Of course they could not float a bill without a bill of lading, if it was the law that it must have the bill of lading attached.

7099. Not if it were the law, but if it were the custom?—Or the custom, possibly. I do not know how it could be done, and I do not know how you would show the value of the goods represented in that bill of lading.

7100. The bill of lading represents a certain shipment, does it not?—But it does not show the value of the bill.

7101. But the invoice would do so, and of course, unless the person drawing the bill was a swindler, there would be no risk?—There would be very great risk, unless you could be sure that the produce represented was of the value stated.

7102. Supposing that the produce came home, and sold for 20 per cent. or 40 per cent. less in a bad market, would not the person holding that bill still have a lien on the property of the estate abroad and at home, whatever names were upon the bill?—Abroad the estate of the drawer of the bill would be liable, or that of any other person whose name was on the back of the bill.

Mr. *Orr Ewing*—continued.

7103. So that there is a double security; he has first got the goods?—So far as they go.

7104. And secondly, he has got the whole property of the person having drawn the bill?—Yes, on the other side.

7105. You seem to have a tender anxiety about the Scotch banks coming to London, and you are afraid that they may do their business in such a way as to endanger their stability?—I stated that experience had shown, that when a Scotch bank transacted business beyond the limits of Scotland it was liable to that risk, and had succumbed to it.

7106. You allude, I presume, to the Western Bank?—Certainly.

7107. Was it not the fact, that the bad business which the Western Bank conducted was in Scotland?—There was some bad business in Scotland, but there was a great deal, I think, at New York, if my memory serves me well.

7108. Did it not originate in Scotland?—It was bad business done in Scotland.

7109. Did not the New York business originate in Scotland?—I could hardly give a decided opinion about that; I presume that it had some relation to Scotland in the first instance.

7110. You quite admit, do you not, that the Western Bank did not conduct its business upon the same principles as other Scotch banks do?—It had conducted its business very badly.

7111. Have not the other banks shown their ability to conduct their banking business with safety?—I am not presuming to offer an opinion upon that; I have a very high opinion of the Scotch banks.

7112. And may you not trust to them to conduct their business with the same prudence when they come across the Tweed?—I judge from precedent, and I am not offering an opinion one way or the other.

7113. Your principal objection is, that you think that the Scotch banks are taking away some of your business, is it not?—I say that that will possibly be the tendency.

7114. But it is the actual fact, is it not?—It is an actual fact in one case. It is an unimportant case, but it shows that it has happened.

7115. A house doing its business principally in Scotland, has found it to be more profitable to conduct that business through a Scotch bank, and you find great fault with that?—No, hardly; I said that they were exposed to a tax of which they would be relieved by transacting their business through a Scotch bank having a branch in London.

Mr. *Goschen.*

7116. Was this purely Scotch business?—It was Scotch money remitted to London for the purposes of this establishment, and that was the tax that we infer pressed upon them, and which they considered that they had no longer a right to submit to.

Mr. *Campbell-Bannerman.*

7117. You infer that that was the fact, but they did not state so to you?—They stated that it would become desirable in consequence of the establishment of the branch of that Scotch bank in London to transfer their account to that bank.

7118. But

Mr. *Campbell-Bannerman*—continued.

7118. But have you any definite reason which leads you to believe that it was, because the charge on remitting money from Scotland to London was greater when it was done through you than through the Scotch bank?—We could put no other construction upon it; I have no hesitation about it.

7119. Would you be surprised to hear that the Scotch banks charge quite as much for money which comes to their own branch as if it came to you?—I was not aware that that was the case.

7120. Of course in neither case do they charge for sending money down to Scotland, but they charge for sending money up from Scotland to London, and their charge is the same whether it comes through a London banker or through their branch; were you aware of that?—I am not aware of that.

Sir *John Lubbock.*

7121. Those transactions, if I understand rightly, were transactions between England and Scotland, and it was upon those transactions that you were placed at a disadvantage, as compared with the Scotch bank?—We understand so.

7122. It was not purely Scotch business, but business between England and Scotland?—Yes.

Mr. *Orr Ewing.*

7123. Was it not money remitted from Scotland to England?—It was money remitted from Scotland to London.

7124. That is not business between England and Scotland, but business between Scotland and England?—It led afterwards to the payment of coupons, and so forth, in London, which were sent up from Scotland for collection in London.

7125. And this firm told you that they left you because they found it more profitable to do business with a Scotch bank?—They said that they found it desirable.

7126. You said that they found it more profitable, and I took down your words?—No; "desirable" was the word that I used.

7127. It no doubt must be very hard for you as a banker to lose a good account of that kind; but to the customer who is able to do his business in a more profitable or in a more desirable way with the Scotch bank, it will be a gain, will it not?—It could not be done with greater economy, or more profitable to the customer, if the Scotch bank had not a privilege which we do not possess in England.

7128. But do you think that a firm that expressed to you their great distress at being obliged to leave you, and their great satisfaction with the manner in which you had conducted their business, would leave you unless there were some substantial grounds to take them away?—I believe that it was in consequence of the commission which we were obliged to charge as it was charged to us on the remittance of the money to and fro.

7129. But supposing that that firm saved that commission, it is an advantage to them, is it not?—Certainly.

7130. And therefore the establishment of Scotch banks in London may be of considerable advantage to many others in the same position as that firm, may it not?—It shows that the competition is most uneven and unfair.

Mr. *Orr Ewing*—continued.

7131. You speak as a banker, I presume, and not as a member of the public?—I speak as a banker.

7132. You do not want free trade?—Pardon me, I do want free trade. I do not want to have a competitor subsidised by the Government.

7133. You want reciprocity?—We are all perfectly ready to meet any competition on the same ground as we ourselves occupy.

7134. Is it not the old argument of protectionists, who opposed free trade on the grounds that foreign nations did not reciprocate, and that they had advantages in lower wages and taxation?—That is hardly a parallel case. These subsidies and monopolies and privileges are granted by our own Government.

7135. But surely foreigners who grow grain which is not so heavily taxed, or manufacturers who do not pay such high wages, are in a better position than we are in this country, and still we look upon it as benefiting the whole of the public, and we allow them to send in their goods or their grain without any tax whatever, do we not?—You have no power over them whatever, and you could not prevent it.

7136. But you want to prevent it in banking?—Pardon me. I wish to have the freest and the largest competition, and you cannot have it more keen than the competition has been for a long time in London, but we say that the Legislature should not invest our competitors with these large subsidies and privileges which they at present possess, and which were granted to them, as we contend, under certain conditions.

Sir *John Lubbock.*

7137. You have given us one case of an account going to a Scotch bank on account of these charges; have you heard of any other similar cases?—I have.

7138. With regard to the New York agency of the Western Bank, which has been referred to, it is stated by Mr. Somers, is it not, that it ended in a loss to the Scotch banks of 185,000 *l.*?—Yes; he states that it was finally wound up at a loss of 185,000 *l.*

7139. With regard to the question of bills of lading always accompanying bills, would it not be extremely inconvenient in commercial transactions if bills of lading in all cases accompanied bills?—If bills of lading always accompanied bills, it would be almost impossible to conduct the business, I should believe; but I speak rather as a banker than as a merchant.

7140. When the produce arrived, I suppose that it would be necessary, then, to detach the bills of lading from the bills, in order to obtain the goods from the vessel?—Certainly, or the bill must be paid under discount.

7141. Therefore, although the bill of lading might, in the first instance, be attached to the bills, it would be absolutely necessary to separate them in the course of the currency of the bill, would it not?—Certainly.

Mr. *Orr Ewing.*

7142. They would still be in the custody of the Bank, would they not?—No.

Sir *John Lubbock.*

7143. If so, then the banker would have to do the merchant's business, and clear the goods, and

Mr. *Smith.*

8 July 1875.

Sir *John Lubbock*—continued.

sell them, would he not?—Certainly; and that is entirely apart from banking business proper.

7144. That is the regular business of London merchants, is it not?—Certainly.

7145. And if London bankers held bills with the bills of lading attached, and sent those bills of lading down to the docks, and sold the produce, they would, in fact, cease to be bankers, and become merchants, would they not?—They would, and it is never done, as a rule.

Mr. *Balfour.*

7146. I quite understand the method in which you think that the Scotch banks take away your Scotch business from you; but I am rather puzzled to understand how their Scotch privileges enable them to compete with your ordinary business?—The reserve that they bring up here, secured to them by their privileges in Scotland, enables them to do so.

7147. The only things that can effect the progress of a new bank must be either the confidence which the public have in it, or else the fact that it is able to offer lower terms to the public. We have it in evidence that the Scotch banks offer the same terms to the public in England as the English banks do; and I presume that their credit is not affected in England by their note circulation in Scotland; so that they really stand in the same position with regard to you, do they not, as any new bank, of good credit, founded in England, which had no issue, would stand in?—Not exactly; they would be able to transact any business between England and Scotland, free of those charges to which we are exposed.

7148. I understand that that would take your Scotch business away from you; but I am now talking of general business?—But gentlemen in general business will have transactions with Scotland, and that monopoly, that tax, that commission, must always be to the prejudice of the English bankers.

7149. So that it is only in so far as regards transactions with Scotland that the Scotch monopoly would do you any injury?—It would affect us there principally, and first.

Mr. *Orr Ewing.*

7150. Supposing that I purchased 100,000 *l.* worth of grey cloth in Manchester, and that the person from whom I bought it drew upon me, would you discount that bill, supposing that we were in good credit?—To a moderate extent and at a short date.

7151. What date would you say?—Three months.

7152. Would not that be a bill against goods?—You ask me whether I would discount a bill upon yourself if you were in good credit, as I understand?

7153. A bill representing grey cloth purchased at Manchester?—But I must discount it upon your credit, because the goods are gone away.

7154. The goods may be in my possession, but are not goods the foundation of that transaction?—You naturally expect to repay that bill by the sale of the goods, but I do not take it upon the faith of the goods at all; I take it upon your credit.

7155. Do not all commercial bills represent goods of some kind or other?—It is the professed origin of all bills.

Mr. *Orr Ewing*—continued.

7156. And therefore all bankers discount bills representing goods, do they not?—That is straining the point, I think.

7157. I do not see your point, I confess; are you less liable for the loss upon the bill because your name is not upon it if you have given money upon it?—Certainly; if our name is written across the bill we are liable to the holder for the whole amount.

7158. But supposing that those two parties to whom you have advanced the money are not able to take up the bill, are you not as much liable for the loss on that bill as though your name was upon it?—No; in that case I have recourse against all the persons whose names are upon the back of the bill; but as acceptor I have not recourse against them.

7159. Have you no recourse against the drawer?—Yes.

Mr. *Goschen.*

7160. In the one case you have recourse only against the drawer, and in the other case you have recourse against the drawer and the acceptor and the discounter?—Yes; against every person whose name is upon the bill.

Mr. *Orr Ewing.*

7161. Therefore it depends altogether upon the character of the acceptor and the drawer whether you lose or not?—It depends upon the property of every person whose name is on the bill.

7162. Supposing that the drawer of a bill such as you consider to be legitimate is an undoubtedly good name, is not that name frequently as good as the names of a drawer and acceptor of less high standing?—Certainly.

7163. Therefore your universal condemnation of such paper as being illegitimate, I suppose you would now modify?—I think the honourable Member has misunderstood me. We were talking about the acceptance of drafts. You construe the word "accept" to mean "take on discount"; we were arguing on totally different subjects.

7164. But inasmuch as all bills represent goods, is there not very little difference of risk to you between the one bill and the other?—There is a very material difference; I pledge my credit for the bill in the one case, and in the other case I take it upon the credit of others.

7165. You pledge your credit upon the one name in the one case, and in the other case you pledge it upon two names?—No; in the one case I accept the bill and pledge myself to pay it; and in the other case I only take it from a third person, from yourself, upon your own credit, and upon the credit of the drawer and acceptor and the other names upon the bill.

Mr. *Goschen.*

7166. Is there not this great difference: that when you accept it you do not give your money, but you give your name, and it remains a liability upon your bank?—Certainly.

7167. And any bank largely accepting in that way has given a promise to pay without having paid?—Certainly.

7168. On the other hand, if you discount the bill, you have paid away the money, and you may lose, but you have, at all events, satisfied any claim upon yourself with regard to that bill?—Certainly; there is no further claim upon us; nobody has a right to come upon us.

7169. In

Mr. *Goschen*—continued.

7169. In the one case it is limited by your resources; in the other case it is limited by your credit?—That is so.

7170. And in the one case your acceptance would be circulating amongst the public, showing that you had not made an advance, but that you had promised to pay, looking to some future remittance and future resources to pay your acceptances; whereas in the other case you have paid away money, and you merely keep this acceptance in your own possession?—Exactly; we have no liability to anybody upon it at all.

7171. It is unusual, is it not, in the case of bankers, even to re-discount bills which they have once taken?—Yes; it is practically never done.

Mr. *Orr Ewing*.

7172. Are you aware that bankers' bills in India are looked upon as the best bills that can be got?—I have never heard that they are better than Messrs. Rothschild's or Baring's, or those of other leading houses.

7173. Do not bankers' bills sell at a lower exchange than any other kind of bills?—Possibly, but I cannot speak as to that from personal experience.

7174. Do not all prudent merchants make it a condition with their houses abroad, if they have control over their own goods, to remit in bankers' bills?—I cannot answer that question; I have an impression, but I should be sorry to give it as evidence; I might not differ very much from the honourable Member as to that.

Sir *John Lubbock*.

7175. But such bankers' bills are bills accepted by a colonial bank, such as the Oriental Bank, and not bills accepted by London bankers?—They are.

7176. The business of a colonial banker is a totally different thing from the business of London bankers like yourselves, is it not?—Entirely.

7177. And business like that of the Oriental Bank and of the Agra Bank is a kind of business which you, as a London bank, would not go into?—No; they were established for the purpose of carrying on the very business which they conduct.

7178. All large houses have transactions with Scotland as well as with other parts of the world, have they not?—They have.

Mr. *Leveson Gower*.

7179. I presume that your customers who withdrew this account from you would view this question in a very different light from what you do, and that they would be opposed to the re-restriction which you advocate?—I really cannot say; I have not had the opportunity of seeing them since we received the letter.

7180. Is it not probable that inasmuch as they benefit by being able to deal with a Scotch bank instead of dealing with you, they would object to the restriction?—They might receive other advantages from ourselves which they would not receive from the Scotch banks; but I cannot give a definite answer upon that point.

7181. Still, they were induced to leave you to go to the Scotch bank; so that, I suppose, the balance of advantages was on the side of their going to the Scotch bank?—I cannot say.

7182. I thought you said that it was more profitable to them?—I used the word "desirable."

Mr. *Leveson Gower*—continued.

7183. I suppose that they would be opposed to any legislation which would prevent their taking a course which they would consider more desirable?—I presume that they are utterly unaware of the legislation; they are not in England.

7184. Would you advocate a restriction which would be beneficial to yourselves, but which would at the same time be adverse to the public?—In that particular instance it would not be beneficial to me; I get nothing out of the commission. They would not have moved their account, I believe, certainly if there had been this restriction.

Sir *John Lubbock*.

7185. Do you think that that would be any reason why they should wish eleven banks to have privileges which were denied to other banks?—No.

7186. Do you not think that if it was put to them they would say that all banks ought to be allowed to compete upon equal terms?—I think they would.

Chairman.

7187. What I understand in the case of this bank is, not that any new restrictions were placed upon their transacting their business through you as formerly, but that new facilities are given for their transacting it through the Scotch bank and its agency in London?—We understand that to be the case.

7188. Previously to that time you had had, in conducting business which they had occasion to do in Scotland, to charge them a commission which you yourselves had to pay to the Scotch bank?—Yes.

7189. That commission continued still payable to the Scotch bank if the business was conducted through you, but if it was conducted directly through the agency of the Scotch bank in London there would be no commission?—We understand that to be the case.

7190. If that business which you conducted for them with a bank in Scotland had been business that you were conducting for them with a bank in Liverpool, you would have had no commission to pay?—None whatever.

7191. The bank in Liverpool would be admitted to the country clearing house, would it not?—It would.

7192. And that would be the reason why there would be no commission?—Certainly, it would be one reason; but not the reason.

7193. Why are not the Scotch banks admitted to the country clearing house?—It has never been suggested, so far as I am aware, and I doubt whether, with all their branches, it would be practicable.

7194. If they could have been admitted to the country clearing house, the question would not have arisen as to the charge of commission, would it?—The cheques on them could not pass through the country clearing, unless they conceded that point, and paid all the cheques on them without commission.

7195. Has the question ever been raised, whether the clearing house system could be made to extend to Scotland?—Not to my knowledge.

7196. Should you like to see a uniformity of system throughout the United Kingdom in the matter of banking, as to issue or non-issue?—I am not disposed to suggest that there should be any alteration in the existing state of things.

Mr. *Smith.*

8 July 1875.

Chairman—continued.

7197. Supposing that there were uniformity of issue, do you believe that the question of the extension of the clearing house could be solved by extending it all over the country, and into Scotland?—I do not think that that could be easily arranged, owing to the distance from the north of Scotland to London.

7198. You think that it can be conveniently carried as far as Newcastle, or perhaps Berwick-on-Tweed, but that it could not be carried as far as Edinburgh?—I would not say that it could not be carried as far as Edinburgh, but I think that it would be difficult to carry it further.

7199. Is the working of the clearing house found to be very inconvenient in the more distant parts of England?—They are all within a certain distance by post from London, and there is no inconvenience experienced then.

7200. I do not understand the working of the country clearing house; will you explain it so as to show why it would not be applicable to the whole island?—We receive, this morning we will say, a number of country cheques for collection, and we meet again on Saturday to receive payment for those cheques.

7201. Will you explain what you mean by a country cheque?—A cheque payable at Bedford or at Newcastle. We exchange them, we settle our balances to-day, and we send them down to our correspondents to-night, and they instruct us to pay or not to pay, as the case may be, on Saturday morning. We meet then and settle our balances again, making allowance for such cheques as have been returned direct to the country banker or to the London banker who has passed them through ourselves. If some of those cheques were on branches of Scotch banks in the north part of the island, they could not go down, for instance, to Thurso, and get back again by Saturday morning, and it would be an exceedingly difficult matter then, of course, to settle our country clearing, it would practically make it impossible.

7202. How soon could you get them back from Thurso?—I am hardly prepared to answer that question, but they would not be back here by Saturday morning, which is my point.

7203. If they could be back by Monday morning, how would it upset your system?—Because we should have to treat them as unpaid on Saturday, and that would involve the question of the country clearing house enormously. I am speaking in the presence of an authority on the subject, but I think it would be almost impossible to conduct the business, taking in the north of Scotland or Ireland, or any place at such a distance, that we could not by return of post be assured of the payment or dishonour of the cheques which we sent.

7204. If that difficulty could be overcome, and if the Scotch banks were admitted to the clearing house, do you suppose that it would be an advantage to them in the conduct of their business?—They send up their own cheques, the cheques which they receive upon England to the clearing house now. Therefore they do use the country clearing.

7205. Do you suppose that if they were admitted to the clearing house they could dispense with this commission which they now charge?—They could not be admitted to the clearing house, and charge a commission. They must dispense with the commission before they come to the clearing house at all.

Chairman—continued.

7206. But supposing that it is in consequence of the impossibility of their being admitted to the benefit of the clearing house that they have to charge a commission, do you see anything unreasonable in their making other arrangements by which they can dispense with the necessity of charging the commission, that is to say having London agencies of their own in preference to charging a commission?—But they do not pay their cheques through their London agents and save us the commission, we have still to send those cheques down to Scotland.

7207. In such a case as that to which you have referred, and which has been mentioned in several questions, what is it precisely that your customers did; they were in the habit of transacting business with Scotland through you, as I understand?—Yes.

7208. They ceased to do so, and transacted it through the agency of the Scotch bank itself in London?—Yes.

7209. Then the agency of the Scotch bank did not charge a commission?—We infer that it did not; but I am not acquainted with the details of their account now.

7210. Can you say that you have any right to complain of the Scotch bank with which those persons had necessarily to do business, opening an agency which enabled its customers to do business with them more conveniently than through a London bank?—We complain, or contend that we have a right to complain, that they should come into competition with us, with the privileges which the Legislature affords them. If it was not for these privileges we could have done the business as cheaply as the Scotch bank.

7211. But they came into competition with you as intermediaries in business which was being carried on, as I understand, between a foreign firm, let us say, on the Continent, and Scotland itself; you were only intermediaries in the business which this firm in some part of Europe was carrying on with Scotland?—When they were first established they did business considerably with England. Afterwards more of the business went to Scotland, and they have since that found it desirable to use their own word, to transfer their business to the London agency of the Scotch bank.

7212. And if you could shut the Scotch bank agency out from London, they would be compelled to do their business as before, through you or some other London banker?—It is probable, but I am not certain about it; they might possibly make some arrangement with the Scotch bank in Scotland, which would equally suit their own business.

7213. If they did that you would be equally a loser, would you not?—We should be equally a loser, but the company itself would not be a loser.

Mr. *Goschen.*

7214. You could not object to that?—Of course not.

Chairman.

7215. But those arrangements are arrangements between the Scotch bankers and the public which, in the absence of any legislative restrictions, may be presumed to take the shape which is most convenient to both parties. Do you think that you are justified, in the interests of English bankers, in interfering to prevent what would

Chairman—continued.

would be the natural and most convenient course of business?—We do not wish to interfere; we only state that the competition with banks invested with the privileges which the Scotch banks now enjoy under our own Government or Legislature is a very unfair competition, and an unjust competition, to which to expose us, and that it was never contemplated as far as we can understand or learn.

7216. You stated, in the earlier part of your evidence, that you did not see any advantage which the Scotch banks conferred upon the English public by coming to England, for that they neither brought more money nor charged lower terms; did I rightly understand you?—Yes, I gather that from the evidence which has been already offered by the Scotch witnesses to the Committee.

7217. If the Scotch banks do not charge lower terms than the English banks, and therefore do not attract customers away, and if they do not bring more money into England, and so reduce the value of money on loan, in what respect have the English bankers a right to complain of the competition of the Scotch banks?—Because that money is secured to them by the monopoly of the issue of notes which they enjoy in Scotland; and we, the English bankers, cannot go to Scotland to enter into competition with them, because we have not that monopoly, and have not the issue of notes.

7218. But, ordinarily, when one person competes with another person in business, he, to a certain extent, prejudicially affects that person's profits by himself offering lower terms, and so compelling his competitor to reduce his terms; and if that does not compel him to reduce his terms, he does not do him any harm at all, does he?—He must in the end reduce his terms; the competition must become more and more keen.

7219. If he does, the public is benefited thereby, is it not?—The public may be benefited, but at a corresponding loss to the public security, as those banks that are coming here are all note issuers.

7220. It may be an advantage given to the public on terms which involve insecurity, and which are really disadvantageous to the public; but, in some shape or other, that there must be a *primâ facie* advantage to the public seems clear, if there is any reason for the English bankers to object to the competition?—We do not think, judging from the Scotch evidence, that the English public will, at all events for some time, have any advantage whatever; they will get neither more money nor lower terms.

Mr. *Goschen.*

7221. What do you mean by lower terms?—Business will be conducted upon terms of commission and charges of discount as high as they are at present; and there will be no more money, and nothing to reduce the rate of discount to make it more beneficial to the English public at all.

Chairman.

7222. Then why should the English public leave the English banks and go to the Scotch banks, if they have no advantages offered to them?—We contend that the competition ought to be free. That the English bankers will not lose their business at present, I believe; but if the Scotch banks go into this kind of acceptance very largely, that possibly might induce some new business to go to them; and we maintain that that is not banking business pure and simple, nor such as note issuers should undertake.

Chairman—continued.

7223. Supposing that any English joint stock bank were to undertake the business of acceptances, to which you object as being outside the proper province of banking, should you complain of their competition?—We think it exceedingly undesirable business for a deposit bank, and we believe that the public take the same view of it.

7224. Would you think it so bad that, in the interests of the public, Parliament ought to interfere and restrain those banks from entering into that class of business?—They are not note issuers.

7225. If they were note issuers, you think that they should be restrained?—I think that they would be liable to the same blame.

7226. Do you mean that if Messrs. Gurney's bank, for instance, were to undertake business of that class, you think there would be a case for legislative interference, and for Parliament to say to Messrs. Gurney's, "You must give up your privilege of issue if you undertake this class of business"?—They would be undertaking it in England; they would not be crossing the Border, on the other side of which they obtained those privileges.

7227. But Messrs. Gurney's, like other English provincial banks of issue, have the privilege which is given to them by legislation, have they not?—Yes, a limited privilege; the same argument would apply in a limited degree; their responsibility to the public is much smaller than the responsibility of the Scotch banks.

Mr. *Goschen.*

7228. It would make a strong case for the abolition of the provincial issues?—It would make a strong case for the abolition of the provincial issues.

Chairman.

7229. With regard to your observation, that if the Scotch banks carried on their business beyond Scotland, it would involve a risk to the note-holders; will you explain a little more distinctly what the nature of the risk would be. You said that you illustrated it by the case of the Western Bank of Scotland, which carried on business at a distance; at what distance was that?—At New York.

7230. There is nothing in the law to prevent any of the Scotch banks from carrying on business at New York, is there?—Not that I am aware of.

Mr. *Sampson Lloyd.*

7231. There might be in their charters or articles of association?—There might be in their charters or articles of association, but I could not answer the question from my own personal knowledge.

Chairman.

7232. Do you consider that the same danger would apply to their carrying on business in England as would apply to their carrying on business all over the world?—The acceptances to which reference has been made are drafts drawn from India; and if the bill is not paid, if the produce does not realise sufficient to pay that draft, they must, in the first instance, go upon the

Mr. *Smith.*

8 July 1875.

Chairman—continued.

the Indian correspondents, and it may be putting their money out in India; it involves that risk.

7233. But the question that I understood to have been asked you was whether you objected to the Scotch banks issuing their notes in England; and I understood that you took as an objection to that their doing so might involve a risk to the note-holders in Scotland?—Of course the circulation of notes only would not injure the note-holders in Scotland.

7234. Do you contend that the carrying on of the business beyond Scotland would be injurious to them?—We contend that it would; perhaps I should speak for myself.

7235. Do you mean that a Scotch bank carrying on business in Northumberland would expose its note-holders to some risk?—It invests its reserves permanently in banking business beyond the immediate limits of its own management; and every case of that sort we believe to be prejudicial to the security of the note, and the possible security of the bank.

7236. How does it invest its reserve permanently beyond its own management?—If it engaged in banking operations, its reserves, which are now temporarily invested in London, would be invested in various ways in banking operations in England, and would not be readily available as against its liabilities in Scotland.

7237. Why should they be less available if a portion of the business of a Scotch bank having its head quarters in Edinburgh were carried on in Northumberland than if it were carried on in Caithness?—If it is carried on under exactly the same rules, and there is no difference made, I am not prepared to say that there would be very much difference, except that the risk would be very much more limited in the one case than in the other.

7238. The illustration which you gave was the case of a Scotch bank which failed in consequence, as it is said, of carrying on business in foreign countries, which the law does not prohibit its doing, and you gave that as a reason why the law should restrain them from carrying on business in England, where apparently the danger would be very much less?—I gave it, I think, as a reason principally against engaging in foreign trade.

7239. Would you think it legitimate for the State to interfere with the business of banking in order to prevent its being carried on in a way which may involve risk to depositors or note-holders or the public generally?—I presume that the Government have a right to interfere as far as the issue of notes is concerned, that having been conceded subject to any restrictions that might be found necessary afterwards.

7240. Why should they have more right to interfere where there is an issue of notes than in any other case?—Because the note-holder becomes so involuntarily; he is practically compelled to take the notes of the circulation of the banks.

7241. Even though they are not legal tender?—Even though they are not legal tender.

7242. But if a bank has no right of issue, do you think that the State would have any moral right to interfere with the mode in which that bank should carry on its business; and either to say that it shall not conduct business by way of acceptances, or that it shall not carry on business beyond certain limits, because the State thinks it dangerous to the public?—No; I do not think that the Government ought to interfere in such a case as that.

Chairman—continued.

7243. Then if the right of issue were withdrawn from banks you would say that the trade of banking ought to be perfectly free?—If the privileges were withdrawn from the Scotch banks, I should say that our cause of complaint would be removed.

7244. If the privilege of issue were withdrawn from all banks, would you say that the State had any right to interfere at all with the management of the business of those banks?—I cannot see that the case would arise.

7245. Although those practices to which you object, of accepting on bills, and so forth, might still continue, and continne to as great an extent as at present?—But there would be no liability as to notes.

Mr. *Sampson Lloyd.*

7246. Is not the practice of the country clearing this: that every country bank admitted to the clearing, prints on each cheque which its customers are allowed to issne, the name of its London agents?—It does.

7247. So that those country cheques received by all the bankers in London are taken in a mass to the particular bank whose name is on the foot of the country cheque?—The town correspondents of the country bank.

7248. So that practically it reduces itself to this: that it is equivalent to a clearing of cheques drawn on its respective London agents, except only that they have to send the cheques to their correspondents in the country to see whether the cheque is honoured or not?—Quite so.

7249. Therefore there would be no difficulty in letting the Scotch banks into the clearing if they each had a London agent whose name would be on their cheques, or at any rate there would be no further practical difficulty than the one which you have mentioned of the loss of time involved in sending the cheque to the extreme point of Scotland or Ireland?—If they do not all come in simultaneously the clearing cannot exist.

7250. If the Scotch banks had a London agent it would be simply a question, would it not, of a little more work in the Clearing House to admit them to the Clearing House, except as regards the question of delay?—The Scotch banks all have a London agent, but though theoretically it might be so, practically it is not possible.

7251. I presume, in reference to the question which you were last asked, that if it is deemed to consist with public policy and with benefit to the public that privileged banks should be introduced into England, you contend either that the English banks should be privileged like the Scotch banks, or else that the privilege should be taken away from both the English banks and the Scotch banks, or else that the privileged banks should confine themselves to a sphere where all are equally privileged?—Yes.

7252. Is it not the fact that people are prevented from growing tobacco in England or importing tobacco duty free into England for reasons of public policy?—Yes.

7253. I presume that it would be a great benefit to smokers if that restriction were removed, or if the French or the Dutch were allowed to import tobacco duty free into England?—Yes.

7254. Although it might be advantageous to the

Mr. *Sampson Lloyd*—continued.

the public in one respect, yet it might be against public policy?—Yes, we contend that this is an infraction of the understanding upon which the privileges were given.

7255. You contend that if the public want the benefit they should obtain it by justice to all concerned?—We do.

Sir *John Lubbock.*

7256. The advantage of the country clearing consists, does it not, in the facility which it gives to banks for collecting drafts drawn upon all parts of the country free of any charge?—Yes.

7257. And that advantage the Scotch banks now enjoy, do they not?—They do.

7258. They practically do send drafts through the country clearing, and, therefore, they have the advantage of the country clearing, have they not?—Yes, speaking from personal knowledge in our case, we collect everything for our correspondents through the country clearing.

7259. The only reason of printing the name of the London correspondent of the bank upon the cheque is, that the clerk at the clearing-house should know at what desk he should present the cheque; is not that so?—That is all.

7260. Therefore, practically, the Scotch banks do now enjoy the advantages of the country clearing, so far as that side is concerned?—Certainly.

7261. And the only difficulty of cheques upon them being dealt with at the country clearing-house is, of course, that we have to make our returns by return of post, and that we cannot do so in the case of banks so far north as Thurso?—That is so.

7262. Before the establishment of the country clearing the English banks did not generally charge any commission, did they?—No, very few of them did.

7263. But the question of commission does not arise upon the country clearing; it has not been the country clearing which has prevented the English banks charging a commission, but the competition which exists between English banks?—Yes.

7264. And on the other hand it is the monopoly enjoyed by the Scotch banks which enables them to charge us this commission, is it not?—We believe it to be the case.

7265. The honourable Member for Stirling asked you whether you were aware that a branch of a Scotch bank established in London would charge a commission on sums to be collected for its customers in Scotland; but in that case the Scotch bank would derive the advantage of the commission, would it not?—Yes.

7266. Whereas in your case also the Scotch bank gets the advantage?—Yes.

7267. Therefore in either case the Scotch bank gets the advantage, and in neither case does the English bank get the advantage?—That is so.

Mr. *Goschen.*

7268. The charge to the customer being the same in both cases?—Yes.

Sir *John Lubbock.*

7269. Therefore, though the charge for commission may be the same, the profit would be larger to the Scotch banks than it is to the English banks?—Yes.

7270. We are at present practically prevented from going to Scotland, are we not, by the legislative privileges enjoyed by the Scotch banks? We are.

7271. Therefore if we are prevented from going to Scotland, they ought to be prevented from coming to England, or we ought both to be placed on the same terms; that, I presume, is your own argument?—On public grounds it is.

7272. Do you not consider in view of the immense magnitude of the transactions in London, that it is very desirable that banks doing a large business in London should have a head office in London, I do.

7273. In your remarks with reference to acceptances, you were not bringing that forward as any complaint of ours, but that as a question of general policy it is not desirable that anything should be done in the way of banks engaging in mercantile business?—That was my argument.

7274. It was not a complaint on the part of the English bankers, but a question of public policy?—Yes, that was the line we went upon.

7275. And that line has already been taken up in the "Scotsman," has it not?—It has, and in other papers in Glasgow as well as in Edinburgh.

Mr. *Campbell-Bannerman.*

7276. If the circumstances which at present prevent, or are supposed to prevent you from going to Scotland were removed, would there be a general rush of the London bankers to Scotland?—I should be disinclined to prophesy either event.

Mr. *Kavanagh.*

7277. With reference to your answers to the honourable member for Plymouth about the drain of gold, you said, as I understood you, that when there was a drain of gold the bank had two ways of protecting itself, either by importing gold from abroad or by raising the rate of discount, and so making it unremunerative to draw more gold out; am I right?—Yes.

7278. Therefore the Bank of England would, I suppose, be the great regulation of discount and interest in the country?—No, it would be hardly that; the public regulate it for themselves; the exchanges regulate themselves.

7279. Then the Bank of England, you think, has nothing to do with the regulation of the rate of interest?—It cannot regulate it; it raises the rate when its own accounts show that it is necessary, but it cannot make money dear or cheap of its own free will.

7280. Of course necessity obliges it to act, but is it not the fact that within the last 30 years the oscillations of interest and discount in England have been very great?—It is; many reasons, I think, may be adduced for that.

7281. Should I be right in saying that within those 30 years there have been 247 variations between 2 and 10 per cent.?—I am afraid I cannot answer that question.

7282. Would that be at all likely to be right in your experience?—I hardly like to give an opinion; it fluctuated 24 times, I think, two years ago in one year, but that is a very unusual thing of course.

7283. It is a fact that those fluctuations in England are much more severe than they are in either

Mr. *Smith.*

8 July 1875.

Mr. *Kavanagh*—continued.

either France or Germany?—I should think that is the case.

7284. You have not experience enough to tell us that?—No, we are not exchange bankers.

7285. To what cause do you ascribe those violent oscillations?—London is the centre of the commerce of the world, and each accident that happens on the Continent, or a bad harvest in any quarter, or any material cause that renders money cheaper or dearer on the Continent, instantly affects us, and much more rapidly than it used to.

Mr. *Kavanagh*—continued.

7286. The Bank of England has no minimum rate of discount, has it?—No, the Bank of England rate is their minimum rate for the time being.

7287. But they have no rule below which they cannot go, have they?—Not to my knowledge.

Mr. DAVID DAVIDSON, re-called; and further Examined.

Mr. *Davidson.*

Chairman.

7288. YOU have heard the evidence which has been given by the last witness; have you any explanation or any remarks that you wish to offer upon that part of it which related to the practice of the Scotch banks of doing business by the acceptance of bills?—As the Bank of Scotland's figures given in the return of the position of the Scotch banks to the Committee were mentioned, I was anxious to make an explanation in contradiction of a statement which I thought was made by the last witness. The figures mentioned were about 1,600,000 *l.* A part of that 179,000 *l.* consisted of drafts at short dates, for which the bank had received payment in money; money, but which were still outstanding. The remainder, 1,443,000 *l.* consisted of the acceptances of the bank; and although I have not the figures accurately, I am quite sure that I am within bounds when I state that between 1,100,000 *l.* and 1,200,000 *l.* of those consisted of acceptances to banks of very high standing in India and in Canada. The remainder, a comparatively small sum, arose out of the banks ordinary transactions in connection with its customers in Glasgow, Dundee, and elsewhere. I am anxious to disabuse the minds of the Committee of the idea that the Bank of Scotland has entered into large transactions in the way of granting the use of its credit without exercising the utmost caution and care.

Sir *John Lubbock.*

7289. Do you speak for the Bank of Scotland alone?—I am not authorised to speak for any other bank, but I am anxious that the evidence given should not remain without some explanation.

7290. Then your remarks apply to the Bank of Scotland, but not to other Scotch banks in London?—So far as the National Bank is concerned, I think that I am fully authorised in stating that a very large proportion of their acceptances are of the character which I have described, and in connection with banking institutions abroad. With regard to the Royal Bank, I believe that they had no acceptances at the date of these returns in connection with London business, because they had only just opened their establishment in London, and therefore the opportunity had not arisen.

7291. Therefore, although you only speak categorically with regard to your own bank, I presume that you wish the Committee to understand that you believe the circumstances with regard to the other Scotch banks in London to be practically the same as they are with regard to your own?—I do.

Sir *John Lubbock*—continued.

7292. But the fact remains that whereas your acceptances were formerly comparatively small, you have now acceptances to the amount of 1,600,000 *l.*?—£. 1,443,000 excluding the local acceptances for which the bank has received money, and which are still outstanding.

7293. But still the fact is as the last witness stated that the Bank of Scotland has 1,600,000 *l.* under acceptance, of which the greater part is on account of banks in India and Canada?—Yes, banks of the very highest standing; the Bank of Scotland holding as a cover, in addition to the responsibility of those banks, bills of the very best class.

Mr. *Goschen.*

7294. Have your acceptances largely increased in London?—Yes, for this reason; that business of that class cannot be conducted in Scotland, because those banks would not draw upon Scotland; such bills are almost invariably drawn upon London.

7295. It is a new branch of business?—To the extent of those foreign correspondents, it is a new branch.

7296. I do not wish to ask any question that would be at all disagreeable to you, but would you be prepared to answer any question about having correspondents abroad who are not bankers?—I should be most happy to answer any question that you choose to put to me.

7297. Have you correspondents abroad who are merchants as well as bankers?—We have no correspondents abroad, except those to which I have alluded, who are banking correspondents; but we grant credits in Glasgow and Dundee to mercantile firms to be used abroad upon such security as we think that the bank ought to have in granting such facilities.

7298. You do not dispute Mr. Smith's evidence with regard to the existence of bills on Scotch banks in London, drawn by commercial houses abroad, the nature of the shipments being stated in the body of the bill, and without a bill of lading being attached to them?—I have no doubt that there are such transactions. As I have already stated, we constantly give credits to merchants in Glasgow and elsewhere, looking to the security which their name affords, either with or without bills of lading, as the cover that we think necessary in giving such facilities.

7299. That may be a perfectly safe business; but when you accept at long dates you lend your name and your credit to those firms, do you not?—Unquestionably.

Mr. WILLIAM HAMILTON CRAKE, called in; and examined.

Mr. *Crake.*

8 July 1875.

Sir *John Lubbock.*

7300. YOU are a Director of the London and Westminster Bank, are you not?—I am.

7301. And you are a member of the London Banker's Committee as representing the London and Westminster Bank?—I am.

7302. You have, I believe, paid a good deal of attention to the question which is now before the Committee?—Yes, from the commencement of this inquiry.

7303. You consider, I believe, that the Scotch privileges give the Scotch banks a monopoly of banking in Scotland?—Undoubtedly.

7304. Without raising the question whether it is desirable that the monopoly of banking in Scotland should be handed over to 11 banks, do you consider that if that is the case there, in justice to banks in other parts of the United Kingdom, those 11 banks should be confined within the area of their monopoly?—Clearly.

7305. The Scotch banks coming and banking in England may make the same charges to the public as the English banks, and yet the profit to the Scotch banks would be larger than the corresponding profit to English banks, would it not?—It would belong to the Scotch banks, and not to the English banks.

7306. And you consider that any extension of a monopoly is contrary to the public interests in the long run?—Yes.

7307. You have heard the evidence which has been given by Mr. Smith upon the subject of business charges; do you agree generally with what Mr. Smith has stated?—Yes, I agree with what he has said on the subject of charges.

7308. You admit, I suppose, that a circulation of 1 *l.* notes has various advantages?—It is of great advantage to the issuers.

7309. You consider also that a large reserve of gold is of advantage to a country; I do not say of greater advantage; because I do not wish to ask you as between the two, but each has very great advantages in itself, has it not?—Yes.

7310. I believe that in the case of France, for instance, by the power which they had of replacing their gold circulation during the last war, by a note circulation they derived very great advantages from the existence of a large stock of gold in the country?—Yes; they replaced that gold by Bank of France notes.

7311. In fact it is a reserve upon which the country may fall back in any period of emergency?—In any period of a drain, or of war, or in any crisis.

7312. And under existing circumstances Scotland has the advantage of 1 *l.* note circulation, and England on the other hand bears the burden of the gold circulation, does it not?—The expense of maintaining the gold reserve falls upon England.

7313. Besides being a director of the London and Westminister Bank, you are, I believe, a partner in the house of Crawford, Colvin & Company?—I am.

7314. And of course your pecuniary interests are therefore rather as a merchant than as a banker?—They are.

7315. We have heard a good deal to day with reference to Scotch bank acceptances; in the course of your business I presume that you have frequently seen acceptances of Scotch banks?—Frequently.

Sir *John Lubbock*—continued.

7316. And they have increased very largely, have they not, since the Scotch banks have come to England?—Yes, they have increased very largely within the last seven or eight years, especially in the case of those Scotch banks which have come to London.

7317. Without questioning the caution which has been exercised by the Scotch banks in the selection of those to whom they have given those credits, do you consider that a large acceptance business is a business of a character which it is desirable that an ordinary banker should undertake?—In my opinion it pertains more to commercial than to banking business.

7318. Does the London and Westminster Bank accept largely?—The London and Westminster Bank, like all other banks doing business in London, can hardly escape accepting to a certain extent, but the London and Westminster Bank avoids it to the utmost of its ability. Many accounts of great value are refused, simply on the ground that they would involve foreign acceptances.

7319. I believe that the Bank of England accepts very little, if at all?—I believe that the Bank of England does not accept at all, except in the case of the bank post bills.

7320. Will you state why you think it undesirable that a banker doing a large deposit business should accept largely bills drawn from abroad?—Speaking for the London and Westminster Bank we hold that the public entrust us with large deposits and large funds, and that the security of our property should be here on the spot, and not broadcast over the world; that our credit and our funds should be available here, and not made use of as it were by granting a double credit in foreign and colonial countries, either in India, or Australia, or America, or wherever it may be. We hold that the depositors have a right to look for the proceeds of their property entrusted to us being on the spot, and not used abroad.

7321. I presume that that applies with still greater force to an issuing bank, does it not?—Clearly. The issue, especially in a country like Scotland, where the public have no option but to take the notes of the issuing banks, only enhances the objection that I have already stated; not only the depositors, but the note-holders in Scotland are subject to this, which we consider a blemish in banking.

7322. That class of business is, in your opinion, entirely appropriate for such a bank as the Bank of Montreal or the Oriental Bank, or any Colonial bank of that character, but not for an English depository bank?—The banks to which you refer were raised and formed for the conduct of business in their own special branches, and they have the requisite knowledge and acquaintance, and they do not acquire to themselves the amount of deposits here on the terms that we do, that is to say, deposits payable on short terms or on demand. Those banks are in a totally different position, nor has anyone of them an issue in this country.

7323. You have heard the evidence which has been

Mr. *Crake.*

3 July 1875.

Sir *John Lubbock*—continued.

been given by Mr. Davidson, but notwithstanding that the Scotch banks may have exercised every care and caution in the business, you think that it is desirable that that class of business should be kept separate from ordinary banking business?—Such is my opinion.

7324. Of course in accepting bills the bank which accepts undertakes the liability of meeting those bills at maturity, whether it receives remittances or not?—Clearly.

7325. If from any cause remittances do not come from abroad, of course the bank accepting would have to meet the bills?—It seems to me that, granting credits abroad by a bank receiving deposits in England, is really equivalent to the bank using its credit twice.

7326. There is a difference between discounting a bill and accepting a bill, inasmuch as in the one case the bank simply employs the money that it has to use, whereas in the other case it is employing its credit. The one is a liability and the other is an asset; is not that so?—Quite so.

7327. And therefore the two have no analogy to one another at all; they are entirely opposite transactions?—Exactly, excepting in discounting.

7328. Do you think that any amount of capital which the Scotch banks could possibly bring from Scotland could affect the ordinary rate of interest in this country?—Scarcely, I should think.

7329. I see that the amount of unemployed money in Scotland is given in round numbers at 1,000,000*l.* sterling; do you consider that any amount of that kind, or even a considerably larger amount, could possibly affect the rate of interest in England?—It would not be felt at all. I fancy that at the present moment, the Scotch banks have the capital employed here that they can spare.

7330. In fact, you agree with some of the previous witnesses, do you not, that either we should have the same privileges as the Scotch banks have, or else that the Scotch banks should be required to give up their special privileges if they wish to come and compete with the English banks? I think that they should be required to give up the privileges granted by Parliament by the Government.

7331. Will you state shortly what you consider to be the grievance of the English banks as regards the Scotch banks?—The question of charges has been so fully gone into, that I need hardly repeat that; it is common and known to us all. I can supplement the evidence of Mr. Smith as to the withdrawal of accounts to this extent, without dwelling on individual cases. I may say, that the great loss, both present and prospective, to English bankers, from the monopoly of Scotch banking, is, when accounts are initiated and commenced, when new accounts, for instance, are opened, when parties desire a banking account, it does, and must weigh with them, that if they go to a Scotch bank in London, they can get their Scotch business done on more moderate terms, without the charge for commission, and it does lead to those accounts being opened. It leads, in the second place, in the case of accounts already established, where they are of sufficient importance, to their opening a second account with a Scotch bank. The mere presence of a Scotch bank in London must of necessity lead to accounts being taken to them from both those causes.

Sir *John Lubbock*—continued.

7332. Of course all large houses of business have transactions with Scotland?—Very many of them have, and if they are of sufficient importance it leads them to go to the Scotch banks, because, as the Committee have heard, English bankers cannot go to Scotland, and that is positively the fact.

7333. That is not what may be called a natural advantage; it is not because the Scotch banks are ready to do business upon cheaper terms, but because the legislative privileges which they enjoy have given them a monopoly of banking in the northern part of the island?—Quite so; legislative enactments have given the Scotch banks a monopoly of Scotch business, and the English banks cannot go into Scotland.

Mr. *Orr Ewing.*

7334. How is it that the English banks cannot go into Scotland?—In the first place the English banks, if they do go into Scotland, cannot issue a note.

7335. But you know that there is no law against your going there?—When I say that they cannot go into Scotland, I mean that they cannot go in with any reasonable chance of their clearing their expenses.

7336. You mean to say that no bank could go into Glasgow or Edinburgh to collect deposits and to discount bills, because they have not the power of issue?—They could not do it profitably; but, of course, they could go.

7337. The banks in Ireland are exactly in the same position, are they not, as the banks in Scotland?—I believe so; but I am not very conversant with banking of Ireland.

7338. You have not given so much attention to the Irish banks then as to the Scotch?—No.

7339. The Scotch banks are your enemies?—I do not say so.

7340. They are your great competitors. You are aware that the Irish law as to banking is the same as the Scotch law?—I believe so.

7341. Are you aware of the amount of issue that the banks of Ireland have?—No.

7342. Are you aware that there are three non-issuing banks started in Ireland since the Act of 1845 was passed, and that they are so successful that they pay higher dividends than some of the banks which have the privilege of issue?—No, I was not aware of it.

7343. Had you been aware of that would you have given the same answer as you have given to the honourable baronet, the Member for Maidstone, that you could not go to Scotland and compete with the banks there, because of the want of the power of issue on your part?—Yes.

7344. How is it that banks, without the privilege of issue in Ireland, can pay 15 per cent., and that you could not go into Scotland and be equally successful?—I do not know sufficiently about the state of banking matters in Ireland, but I assume that there is a far larger proportion of non-issuing banks there than in Scotland. You also have issuing and non-issuing banks in England working side by side, but in Scotland that is not the case. The very first thing that a bank going to Scotland must do, is to take over a sufficiency of its competitors' issue.

7345. Are you not aware that the privilege of issue in Ireland is so much beyond the wants of the country that the banks are not nearly up to their

Mr. *Orr Ewing*—continued.

their authorised issue at present?—That may be so.

7346. Are you not aware that the actual issue of the Bank of Ireland is 800,000 *l.* below the authorised limit?—Then, it would appear to me, that the privilege of issue in Ireland, is not of that high standard of value that it must be in Scotland, if they have a redundancy of issue and cannot make use of it. The contrary is the case in Scotland; they have there a large excess of their legal issue; hence I take it that the issue in Scotland is of far higher value to those possessing it, than it can be in Ireland; but as I have already stated, I am not conversant with the state of things in Ireland.

7347. You are not aware that three joint stock banks have been established in Ireland since 1845, and that they are very prosperous banks, although they have not the power of issue?—The only conclusion which I should draw is, that in Ireland the power of issue is not of the same first importance to the banks that it is in Scotland, and hence that they have been able to establish themselves and gain a footing and become prosperous in spite of this absence of privilege. My evidence is that it is impossible in Scotland.

7348. Can you give me any reason why the privilege of issue in Ireland should not be equal to the privilege of issue in Scotland?—I cannot give you reasons, but the facts show that the privilege is not of the same value in the two countries.

7349. You give your opinion with regard to Scotland in complete ignorance of what is the state of facts in Ireland?—To a great extent.

7350. You know nothing about banking in Ireland?—Very little.

7351. You say that in Scotland the people are forced to take bank notes?—They can take no other.

7352. Cannot they demand gold?—Yes.

7353. Do they do so?—I fancy not; at any rate, if they do take notes, and if notes are a convenience they can get no other notes than the Scotch bank notes.

7354. But they can demand gold, can they not?—Yes.

7355. And they do not do so?—They do not.

7356. I presume you admit that they have perfect confidence in the 1 *l.* notes?—Obviously.

7357. You said that it was against the public interest that the Scotch banks should have branches in London; what do you mean by its being against the public interest?—The Scotch banks have privileges of which the English banks have been deprived by the Legislature; the English banks in the first instance have lost their 1 *l.* note issues; the existing London banks have no privileges of issue; they have not the privileges that the Scotch banks have.

7358. Then do you mean by "public interest," bankers' interests?—Those are monopolies conferred on the Scotch banks by the Legislature. The English banks have by the same Legislature been deprived, first of all, of their note issues, and really of the privilege of going to Scotland as well.

7359. But I want to ask you what you meant by saying that it was against the "public interest" of the country that Scotch bankers should have the power of having branches in London?—To my mind it is an obvious injustice, and an obvious inequality.

7360. Is it unjust to the public or to the bankers, do you think?—I take it that the true interest of the bankers is that of the public.

7361. Was the statement which you made immediately afterwards that the risk which you ran of losing some of the business which you now conduct, by the competition of the Scotch banks was in the interest of the public?—Clearly; the Government have so ruled, that with one hand they give an advantage to the Scotch banks, of which they deprive the English banks.

7362. But if the Scotch banks are able to do business for parties in London upon more favourable terms than you, is it not to the advantage of the public?—The Government are really the authors of those advantages; the Scotch banks would possess no advantages whatever over the English banks, but for the monopoly which they enjoy.

7363. Whatever may be the cause, is it not practically for the advantage of the public that it should be able to do banking business upon more favourable terms?—I dispute that they can do business on more favourable terms, except as regards that one point.

7364. But having those privileges, you say that they can do it more cheaply?—On this particular point of commission they can; but I do not see that the public are so very much interested in that if the Scotch banks retain the commission.

7365. Did you not say that you were afraid of losing a portion of your business, because the Scotch bankers coming to London could transact the business more favourably to the public?—Yes.

7366. Does the London and Westminster Bank accept any foreign bills?—As I said in my evidence in chief, it is impossible for us absolutely to avoid it, but we set our faces as much against it as possible.

7367. May I ask you what are your acceptances at present?—They have not varied very much for some years past. In our last accounts published the acceptances were separately stated, and are just 1,000,000 *l.*; I cannot tell you within a few thousands, but they would be about the same now.

7368. Were those merchants' drafts, or were they bankers' bills?—They were mainly for bankers.

7369. Is there any foreign bank in India that draws upon you regularly?—No.

7370. Do you grant credits?—Yes; we cannot absolutely avoid doing so. The competition between bankers is such, that it would not be possible for a joint stock bank in London absolutely to say that they would not under any circumstances grant a credit.

7371. Should you call that business illegitimate which you are doing to the extent of 1,000,000 *l.*?—The London and Westminster is not an issuing bank.

7372. Do you consider that yours, not being an issuing bank, you may do business upon illegitimate principles?—No, I do not admit that at all.

7373. Therefore you do not call that kind of business illegitimate?—I should consider any case that was proposed. The sum and substance of

Mr. *Crake.*

8 July 1875.

Mr. *Crake.*

8 July 1875.

Mr. *Orr Ewing*—continued.

of my evidence is, that we should refuse it entirely if we could.

7374. Is the extent of your credits included in the 1,000,000 *l.* which you have mentioned?—Yes; they are not mercantile credits, as a rule.

7375. To what kind of houses do you grant them?—They are mainly for other banks. We cannot refuse to accept on account of a bank.

7376. But you do not accept for any bank out of this country, do you?—No; there are a large volume of short bills, drafts as we call them, of 14 and 21 days' date, mainly from Scotland.

7377. But I am speaking of foreign bills of exchange?—We do not profess to go into that business, and we avoid it to the best of our ability. We have refused many very valuable accounts because they would involve that description of business.

7378. But you grant money credits to India, do you not?—We do not, or if there are any, they are exceedingly trifling.

7379. Do you consider that that kind of business is more safe for a bank than discounting paper for a firm that is carrying on a large business in this country, who draws upon another house which has comparatively no standing in the commercial world?—I do not know that. We should not do that business, if we thought that it was drawn upon a firm of no standing.

7380. Have you had no bills of that kind of late?—Mistakes will happen, but we have not taken such paper knowingly.

7381. Did you not discount the paper to which I allude more on the faith of the name of the drawer than of the acceptors?—It may be the case, that you pass paper on the strength of one name, but not generally speaking.

Sir *Graham Montgomery.*

7382. Have the other joint stock banks in London been as scrupulous about entering into this sort of business of accepting foreign bills as the London and Westminster Bank for which you speak?—None of the London joint stock banks are issuing banks. I would make a grave distinction between the two.

7383. Still you admit that it is necessary for the joint stock banks in London to a certain extent to do this class of business which you think is not a good class of business?—I have not said that it is not a good class of business; all I have said is, that it is a commercial business, a business that pertains to commercial men, and not to banks. That is the distinction which I have drawn. It is a class of business which I myself am glad to conduct, but not as a banker.

7384. The London and Westminster Bank still, according to your statement, have been obliged to enter into this kind of business, to a certain extent?—We cannot avoid acceptances to a moderate extent, but we do not give credit all over the world, in India, China and so forth. If a case is brought up, it is exceptional, and one of a special character; we avoid it as far as we can, even here. The Bank of England, I may say, I believe, do not accept at all.

7385. You have reason to believe that the other joint stock banks in London act in the same way as you yourselves do in reference to this matter?—They may accept more or less, but I cannot speak for them with the same knowledge with which I speak for my own bank.

7386. Still, as regards the Scotch banks, you

Sir *Graham Montgomery*—continued.

condemn the practice to a grave degree, and you think it wrong for them to carry on such business?—I think that the Scotch banks, having the monopoly of Scotch banking business, both as to issue and as to business, offend still further against that principle which I maintain.

7387. Still, it is not more risky, is it, for the Scotch banks than if they were to accept discounts in London which were not good?—I do not know that; you send your credits abroad, and you must trust to the good faith and character of the people to whom you send them; whereas your discounting is all within the four corners of your business here.

7388. It has been stated in evidence before this Committee, that Scotch people are in the habit of depositing large sums of money with the Indian banks, and with other banks in Scotland who have agencies there, and that those banks employ the money for themselves; do you consider that those depositors run a great risk in lending their money to those banks who are trading at such a distance from this country?—I was not present when that evidence was given; but I should take it, that the deposits, such as you referred to, made by the Scotch public to Indian banks in Scotland would be more for long periods, for 12 months or six months, probably, and that is of a totally different nature to the deposits of a London banker. The public who lodge their money on deposits for 12 months with an Indian or an Australian bank do it with their eyes open, and they know that that money is taken by that bank to employ in foreign transactions, whereas it is not so with a Scotch bank of issue.

7389. Still they are lending money to a banking corporation which does business at a distance from home, and whose drafts you would consider that a London joint stock bank should not take?—I would draw a great distinction between deposits made with a Colonial or Indian bank for a fixed long period, and deposits payable practically at short date or on demand.

Mr. *Campbell-Bannerman.*

7390. With regard to the business of banking, you would apparently draw an important distinction between a bank of issue and a bank that does not issue?—Yes..

7391. Are you aware that the issues of the Scotch banks are a very small portion of their liabilities?—As compared with their deposits, I believe they are something like six to 80, and and their acceptances are now quite as much as their issue.

7392. And they hold something like 4,000,000 *l.* of gold. Does the fact of the issue being so small, comparatively speaking, affect the question, in your opinion, as to the nature of the business that they should do?—Only in degree, I think that the principle remains.

7393. But does it affect it in degree?—In degree, but that degree is really the whole bank-note circulation of Scotland.

7394. It may be an unsafe thing that banks which supply the whole circulation of Scotland should have such large liabilities; but does the fact of their entering upon any particular kind of business, become more serious in consequence of their issue, when the issue is so small in relation to their other liabilities, and when the shareholders responsibility is unlimited?—My objection is maintained.

7395. But

Mr. *Campbell-Bannerman*—continued.

7395. But is it not diminished in degree?—As to the volume of acceptances it is diminished, but my objection, I think, is a sound one, whether it be for 6,000,000 *l.* or for 20,000,000 *l.*

7396. Do you see any great danger in a bank with prudence and moderation, giving credits to houses in this country having branches abroad, and allowing those branches to draw upon the bank?—That is really the same thing, only it is another way of putting it. You are dealing in foreign exchanges and foreign acceptances; you are using your credit out in the foreign ports.

7397. But that credit is supported by a firm in this country of undoubted stability?—Yes, but the bill itself is sold upon the credit of the bank.

7398. That is not nearly so risky a transaction as to allow some foreign house, over whose proceedings you can exercise no supervision to draw upon you, is it?—But it is a foreign house that does draw upon you.

7399. I mean where the whole business is abroad?—I may not follow you quite clearly, but it seems to me that you would only have one name to that paper; that you would not have the two distinct firms.

7400. I am putting the case of a perfectly solvent and wealthy customer in this country, who has a business abroad?—Pardon me for one moment. What is this business abroad? Who is to represent it? An independent house?

7401. A branch of his own house?—Then you would have only the credit of the man here in England which you represent to be an unquestioned one, and his own credit again abroad.

Mr. *Orr Ewing*.

7402. But would not a bill of that kind be sold in the open market, and be in a third hand?—A bill of what kind?

7403. Supposing that I, a Glasgow house, have a credit upon the London and Westminster Bank to draw upon them for a certain amount in Calcutta, and I carried out the transaction for which I got this credit and drew the bill, and would not send that bill home direct, I should sell it in the market, and therefore the Bank has the security of two names?—Will you explain that to me, if you please?

7404. The party who receives this bill in the market when it is sold, sends it home here for acceptance to the London and Westminster Bank, and his name is on it?—But that is the man to whom the credit is given.

7405. Not at all; it is the party who has bought the bill in Calcutta?—If he so sells it.

7406. Is not that the invariable way of conducting business?—The usual way would be to sell it, but it depends upon how that bill is drawn.

7407. Of course there may be specialties, but I am asking what is the general rule of conducting business?—The person to whom you gave the credit in England and his firm, wherever it may be abroad, are one and the same party, and the bank only gets the security of the same firm in either case; hence you have only the security of that one firm in place of the discounted bill with a variety of names upon it. Therefore, I say that it is not so safe to do that class of business as to discount bills in London.

Mr. *Campbell-Bannerman*.

7408. Did I correctly understand you to say, that if it were free to English bankers to go to Scotland, that you consider would solve the whole difficulty that at present arises?—I am not prepared to say that; first of all it is obvious that if they go at all, they must go on equal terms with the Scotch banks.

7409. Supposing that the London and Westminster Bank were able to go to Scotland, what would be its position?—We do not go out of London.

7410. But you say that it is hard upon you that the Scotch banks should come here and that you should not have the power to go to Scotland; supposing that it was made free (upon the hypothesis that it is not at present free, which I would not admit) for London bankers to open branches in Scotland, would that in your opinion settle the matter?—If they were allowed to go there on identical terms with the Scotch banks, viz., that they should have an unlimited issue on gold, and an issue of 1 *l.* notes, it would certainly do away with that part of the English bankers' contention that they cannot go to Scotland.

7411. Do you think that there would then be no objection to the Scotch banks opening branches in London?—You must remember that the English banking community have been deprived of these privileges for more than a generation, and the English banks could not go into Scotland now with any chance of aggregating to themselves a business which the Scotch banks have built up for a century.

7412. But how can Scotch banks come here then; because they have been out of this country for a century also?—The cases are not parallel.

Mr. *Norwood*.

7413. With reference to the 1,000,000 *l.* of acceptances which the London and Westminster Bank are generally under, do you not act as London agents of country bankers?—Yes; and the great bulk of those acceptances are short bills at 21 days' sight.

7414. Your general custom is to abstain as far as you can from the acceptances of foreign bills, is it not?—Yes.

7415. And that is the case you say with the banks in London as a rule?—I believe so; there are some that have gone more into the business than others.

7416. Are there not one or two banks that are known to have laid themselves open for that business more than others?—Yes.

7417. You lay a good deal of stress upon the difference of position between the bank which is allowed to issue notes and the bank which is not allowed to issue notes; do you think that there is really very much difference in the liability to a holder of a note and to a depositor in a bank?—I think that the holder of a note, such as a Scotch note, holds it on the credit of the bank on the spot; he does it on the credit of its fund, and so forth, and the depositor does the same, and my argument is, that the use of that credit for acquiring those deposits, and the issue of those notes, if supplemented by foreign acceptances, is a double use of the credit of the bank.

7418. Then perhaps, after all, there is not so much difference with reference to the moral position of the bank in respect to its creditors, whether those creditors are holders of notes or depositors?—

Mr. *Crake.*

8 July 1875.

Mr. *Norwood*—continued.

Between the holders of the notes and depositors there is no difference, because they both trust to the credit of the bank.

7419. Therefore it would be a mistake, would it not, to imagine from what you said just now that you regard the holder of a bank-note as having a greater right to the assets of a bank than a depositor has?—Yes.

7420. I suppose you know that the Scotch banks which accept on account of Indian houses very often get documents attached to the bills which they accept?—I do not see those bills; they would be regarded less favourably.

7421. Then your opinion is this: that the Scotch banks accept foreign bills to a greater extent in proportion to their capital than any London bank, either private or joint stock?—I have not made that comparison so far as the practice of our own bank, the London and Westminster, is concerned, as I have already said we decline all that class of acceptance to the best of our ability.

7422. Then you do not go so far as to say that the Scotch banks accept foreign bills to a greater

Mr. *Norwood*—continued.

extent in proportion to their capital than the London banks do?—I have not considered it from the point of view as to the proportion of capital; but the tenor of my evidence is that during the last six or eight years the Scotch banks' foreign acceptances have very largely developed.

7423. At the same time you state that it is impossible for a bank in London to abstain altogether from accepting foreign bills?—Yes.

Sir *John Lubbock.*

7424. It is particularly the Scotch banks which have come to London which have increased their acceptances, is it not?—I think so.

7425. The London and Westminster Bank have of course very large transactions with Scotland?—Yes.

7426. And the monopoly which the Scotch banks enjoy enables them to make you charges which they could not otherwise make?—Yes.

7427. And that you consider to be a serious disadvantage to you?—Yes.

Monday, 19*th July* 1875.

MEMBERS PRESENT:

Mr. Anderson.
Mr. Backhouse.
Mr. Balfour.
Mr. Campbell-Bannerman.
Mr. Stephen Cave.
Mr. Chancellor of the Exchequer.
Mr. Beckett Denison.
Mr. Orr Ewing.
Mr. Goschen.
Mr. Leveson Gower.
Mr. Hubbard.
Mr. Kavanagh.
Mr. Sampson-Lloyd.
Sir John Lubbock.
Sir Graham Montgomery.
Mr. Mulholland.
Mr. William Shaw.
Mr. Torr.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. KIRKMAN DANIEL HODGSON, a Member of the House, and Mr. EDWARD HOWLEY PALMER, called in; and Examined.

Mr. *K. D. Hodgson*, M.P., and Mr. *E. H. Palmer*. 19 July 1875.

Chairman.

7428. (To Mr. *Palmer.*) YOU are the Deputy Governor of the Bank of England, are you not?—I am.

7429. The Committee have been anxious to have the evidence of the Governor and Deputy Governor of the Bank of England on this inquiry, but we are sorry to learn that the Governor is not at present well enough to attend; I believe, therefore, that the bank directors have requested Mr. Kirkman Hodgson to attend with you to speak on their behalf?—That is the case.

7430. Can you inform the Committee generally what has been the course of proceeding since the passing of Sir Robert Peel's Bank Charter Act in 1844, in the direction of the absorption by the Bank of England of the notes issued by private or joint stock provincial banks?—The authorised issue of the private and joint stock banks, in 1844, was 8,648,853 *l.*, and in 1874, the authorised issue was 6,624,163 *l.*, the difference being 2,024,690 *l.* The composition is paid on 1,415,000 *l.*, and the amount lapsed by failures and amalgamations with other banks is 609,690 *l.* That makes up the amount.

7431. To what extent then has the authorised issue of the Bank of England itself been increased?—To replace these lapsed issues the fiduciary issue of the Bank of England is now 15,000,000 *l.*, instead of 14,000,000 *l.*, as fixed by the Act of 1844.

7432. How came it to be exactly 15,000,000 *l.*?—Of course, under the Act, the Bank of England might have applied for 350,000 *l.* more, but it was thought more intelligible to have it in an even sum, and there was no particular object in asking for the other 350,000 *l.*, and, therefore, the Bank of England only applied for the extra 1,000,000 *l.* In 1844, the provincial circulation of Bank of England notes was 6,500,000 *l.*, and the issues of private and joint stock banks were 8,170,000 *l.*, making 14,670,000 *l.* in 1844. In 1874, the Bank of England provincial issue was 10,164,000 *l.*, and the issues of private and joint stock banks were 4,960,000 *l.*, so that the Bank of England has entirely supplemented the lapsed provincial issues, and rather more.

Chairman—continued.

7433. Did the process of the surrender of issue by any provincial, private, and joint stock banks take place more rapidly in the beginning of that period than it has done latterly?—I think much more rapidly.

7434. Have there been any compositions within the last five or six years?—None that I am aware of since the National Provincial Bank of England gave up its issue.

7435. Does the process of absorption seem likely to continue, so far as you can judge?—There has been no surrender of issue since the surrender of the National Provincial Bank in 1866, and it must be assumed that the reason of the unwillingness of banks having this privilege to surrender it, is that they consider the terms of commutation inadequate, even when coupled with the advantage of opening an establishment in London.

7436. Do you think that rather more favourable terms might induce a larger number to compound?—I think it would be very inexpedient to vary the terms of commutation, in order to induce individual banks to surrender their privilege of issue. Whether a general measure should be adopted for the purpose of determining all private issues, must be for the State to determine.

7437. That is a point upon which the Bank of England, as a bank, have no view to submit?—None, so far as the bank is concerned.

7438. But is it your impression that, if more favourable terms of composition were offered, a considerable number of private banks, and joint stock banks, would compound?—I really cannot answer that question.

7439. Supposing that the State were to decide upon abolishing the provincial issues, do you consider that the Bank of England could adequately supply the wants of the country?—The

Mr. *K. D. Hodgson*, M.P., and Mr. *E. H. Palmer*.

19 July 1875.

Chairman—continued.

Bank of England can readily supply any vacuum caused by the lapse of provincial issues, and that is proved by what has already taken place between 1844 and 1874.

7440. The amount of the issues must depend, to a certain extent, upon the demand of the country, must it not?—Yes.

7441. And the fact of the demand of the country having been constant since 1844, although a proportion of the provincial issues have been abandoned, shows that there is a sufficient demand for the Bank of England notes to take the place of the others?—Certainly.

7442. Do you see any reason to suppose that if the provincial issues were in any manner put an end to throughout England, the Bank of England would not supply the vacuum which would be caused by the withdrawal of the 4,960,000*l.* of country bank issues?—I have every reason to believe that the bank would supply the vacuum perfectly.

7443. Can you form any judgment as to what would happen if the provincial issues of Scotland and Ireland were abolished?—The cases of Scotland and Ireland are to some extent different from the case of England, in consequence of the issue in those countries of 1*l.* notes, and I think that it would be necessary in such cases, if the Government contemplated anything of that kind, to have centres of issue at Edinburgh and Dublin for those countries.

7444. Centres of issue connected with the Bank of England?—That is a matter of arrangement which the Government of the day would determine.

7445. But do you mean centres of issue from which notes of a different character from those issued in England should be sent forth?—Yes.

7446. Are the branches of the Bank of England extending?—They are not extending. On the contrary the branches at Exeter, Norwich, Gloucester, Swansea, and Leicester have been closed, as they did not pay their expenses. With regard to that, I should say that the branch at Exeter was closed and a branch at Plymouth was opened in lieu of it for the Government convenience.

7447. Which of those branches had been longest in existence?—The Norwich and the Gloucester branches were the first that were established, and the Gloucester branch was the first that was closed. Exeter was the first one that was really closed, but you can hardly call that being closed, because it was transferred to Plymouth.

7448. Was the Exeter branch closed in consequence of its not paying its expenses, or because it was more convenient that it should be transferred to Plymouth?—I do not suppose that it paid its expenses, or that Plymouth does now pay its expenses. I know that the branch is kept up more for the Government convenience than for any profit which accrues from it to the Bank of England.

7449. Do you know whether it ever paid its expenses at any time?—I do not think that it did.

7450. To take the case of Gloucester, how long had that branch been established?—The Gloucester branch was established in 1826, and closed in 1849.

7451. Had it ever paid its expenses as a separate branch?—No, I do not think it ever had.

Chairman—continued.

7452. Are there any cases amongst those that you say have been abandoned, in which the branch had begun by paying its expenses, and had subsequently failed to do so, having become less profitable?—Swansea had never paid its expenses. Leicester did so formerly to a certain extent, but latterly it did not pay its expenses, and the Bank closed it about three years ago.

7453. Should you say that there is any tendency in the branches of the Bank of England generally to become less profitable than they were?—The branches of the Bank of England are more suited to the wants of the towns in the great centres of industry, such as Manchester, Liverpool, Birmingham, Hull, Leeds, and Newcastle. In those towns they have a very fair amount of general banking business, besides being a great convenience to those districts as channels for the supply of bank notes and for the transmission of coin to and from the Bank of England in London.

7454. But supposing that the provincial issues were put an end to, and that the Bank of England were called upon to supply their place, it must do so by means of branch banks, must it not?—Not necessarily.

7455. How would you propose that it should supply the circulation?—It would be supplied from London.

7456. Through the local banks?—Through the local banks.

7457. You do to a considerable extent carry on business through the local banks, do you not?—Very largely, principally through their London agents.

7458. Then, in fact, the question of maintaining branches of the Bank of England is a question independent altogether of the maintenance or absorption of the country issues?—Yes, I consider so.

7459. How would you propose that the notes of the Bank of England should be cashed if you had no branches throughout the country?—They would never be required to be cashed, except for convenience; Liverpool is the only place where any large amount of notes could be returned upon the Bank for gold, and even there it is not found that there is any great requirement, and that is the only place where there could be. The others are mere questions of the supply of and the demand for coin, which certainly could be met by the ordinary arrangements.

7460. What facilities are given by the branch banks of the Bank of England for the exchange of notes issued at other branches, or in London?—Every note that is issued from a branch is paid in cash, and everything that is required for the convenience of the customers of the Bank is also done as far as courtesy is concerned. The Bank could never accept a legal liability to pay at any branch its notes issued at other branches; that would be quite impossible. As a rule, the public are accommodated with any moderate amount of coin that they require.

7461. A man happening to have 10*l.* or 20*l.* in Bank of England notes, issued in London, would be pretty sure to get them exchanged at the branch bank wherever it might be?—Yes, I think so; certainly.

7462. Without charge or with a charge?—Without charge.

7463. Even

Chairman—continued.

7463. Even if he was not a customer?—Even if he was not a customer, if he was known, and properly introduced. We should not cash notes for strangers without an introduction, because the notes which they offered might be stolen, or improperly obtained.

7464. Supposing that a stranger were to present, at one of the branches, a note issued at the branch it would be cashed, of course?—Yes.

7465. Supposing that a stranger presented at a branch a note issued at another branch, would he have it cashed with a deduction?—That would be considered in the light of a note issued in London, or in any other place where the bank is not legally liable to pay it.

7466. You say that if the person presenting the note was known, or was properly introduced, you would cash the note; if it was a small amount, it would probably be cashed without charge?—Yes.

7467. But supposing that he was not known, and that there was no reason to think that the note was either forged or stolen, or anything of that kind, would it be cashed and a charge made?—There would be no charge made, but it must be in the discretion of the agent whether he gave the cash for it to a stranger. The currency of any particular locality is always found to be determined by the necessities of the commerce of that district, and whether in notes, or gold, or silver coin, any deficiency is supplied by the general rules which affect supply and demand.

7468. Have you any reason to know whether notes issued by different branches find their way to different parts of the country?—They circulate generally all over the country, but the Bank has made no particular examination or return with regard to that particular fact.

7469. I suppose we may take it for granted that in any district where there is a provincial bank of issue, the notes of that bank are pretty nearly exclusively confined to that district, and are seldom taken away from it, except accidentally; for instance, a person going away from the district, would probably exchange his local notes for Bank of England notes; but do you suppose that there is any similar process by which the notes of the branch banks of the Bank of England are kept within the locality to which the branches belong?—No, I do not think there is; they go indiscriminately all over the country.

7470. Can you state how far the provincial banks of issue come in competition with your branches?—They do not compete really with us in any essential way. The advantages offered by the Bank of England are peculiar to the Bank of England from the nature of its credit. Of course the provincial banks and the private banks give greater facilities to their customers than we do, especially in allowing interest on deposits, which the Bank of England does not allow.

7471. What effects have been produced by the surrender of the right of issue by the National Provincial and other provincial banks?—The only effect has been that the lapsed issues of the private and joint stock banks have been supplied by the Bank of England.

7472. Do you see any objection to the removal of the restriction which prevents banks of issue from having establishments in London?—The answer which I would give to that question is this: assuming, as I do, that the most perfect form of a fiduciary currency is one uniform in its expression, and of unquestionable convertibility, and believing that the intention of the Bank Acts of 1844 and 1845 was to promote the establishment of such a currency for the whole country, I imagine that such a purpose would be inconsistent with removing from issuing banks any of their disabilities pending the final settlement of the currency question.

7473. Then you do not consider that the disabilities or restrictions are important in themselves, but that they are important as bringing pressure to bear upon the issuing banks to induce them to surrender their issues?—Exactly so.

7474. Can you distinguish between the position of the English banks and that of the Scotch or Irish banks in this respect?—The policy assumed in the preceding reply applies equally to all issuing banks, whether English, Scotch, or Irish.

7475. Therefore, the same reason which induces you to think that the restrictions should be maintained with regard to the provincial banks of England, in order to lead them to give up their issues, induces you also to think that restrictions should be kept upon the Scotch and Irish banks, in order to lead them to do what?—I think that all banks of issue should be confined to the localities where their privileges now exist; and that the spirit and intention of the Acts of 1844 and 1845 were certainly to prevent any banks of issue, except the Bank of England, coming within 65 miles of London.

7476. Then it would be with a view to induce their ultimate surrender of their right of issue to the State?—I think such a result would be very advantageous; but of course that is a question for the State to consider.

7477. Supposing that it were considered right to maintain the restriction against the English banks of issue, which prevents their having establishments in London, can you see any fairness or unfairness in the Scotch and Irish banks being allowed to have establishments in London without surrendering their issues?—Speaking as an officer of the Bank of England, I should say that the Bank of England, as the bankers of the Government, desire to abstain from expressing any opinion upon that subject.

7478. Can you draw any distinction between the position of the Scotch and Irish banks and that of the colonial banks, or of the Indian and other banks which have establishments in London?—The Indian establishments which call themselves banks (though they are not banks at all) are formed more for the purpose of carrying on mercantile and exchange business than banking business, and their position cannot be considered in any way analogous to that of the Scotch and Irish banks; I do not believe that any of them issue to any important extent, and certainly not in India; the Oriental Bank, I believe, has a small issue in Ceylon and Australia, and a bank called the Hong Kong and Shanghai Bank, I believe, has a small circulation in China; but I do not think that those establishments are to be in any way considered as analogous to banks like the Scotch banks and the Irish banks.

7479. Do you think that any of the restrictions at present imposed upon the banking business of banks which possess the right of issue

Mr. *K. D. Hodgson*, M.P., and Mr. *E. H. Palmer*.

19 July 1875.

Chairman—continued.

are injurious to those banks?—I should give the same answer to that as I gave to the previous question, that is to say, that it is rather a question of public policy.

7480. But do you consider that the banks suffer materially in the conduct of their banking business from the restrictions which are imposed upon them on account of their having this right of issue?—No doubt, London being the great centre and emporium of trade, it must be a great advantage to a bank having an extensive business to have an establishment in London.

7481. With regard to the other restrictions imposed upon them, of private banks not being allowed to convert themselves into joint stock companies, or to extend the number of their partners, and whatever other restrictions there are, do you consider that those interfere with the management of their banking business?—So far as they do, I should not alter them.

7482. To turn to another point; a certain proportion of the issues in Scotland and Ireland is authorised issue, but beyond that the banks have the right to issue as much as they please against gold; what is the system under which gold is now periodically sent to and returned from Scotland in order to support the increased issue from time to time?—The transmission of gold from London to Edinburgh in the months of May and November as the basis of the increased issues which are then required from the Scotch banks for the purpose of what are, I believe, styled the "term payments," is managed entirely by those establishments. The amount varies from 300,000 *l.* to 500,000 *l.*, according, I conclude, to the amount of coin which may happen to be in Scotland at the time. The effect upon the money market is, in ordinary times, quite imperceptible; for the amount is returned to, as regularly as it is taken from, London, and frequently in the same boxes. Occasions might and do arise when, the reserve of the bank being low, as the consequence of an adverse state of the exchanges, the sudden withdrawal of 500,000 *l.* of bullion is attended with inconvenience, but is not likely to have any important effect upon the money market.

7483. Turning from the periodical action against which, of course, you are able to make proper provision, are you aware that it has sometimes been found that at moments of pressure inconvenience has resulted from the necessity of suddenly sending down considerable amounts of gold to Scotland to support their issues?—I have no recollection of such cases. (Mr. *Hodgson.*) When inconvenience has been found to arise in regard to sending gold to Scotland it has not been from sending down gold to support the issues; but it has been on the two occasions, in 1847 and especially in 1857, of a sudden demand from the Scotch banks on their correspondents here in London to send them down gold to support their existing issues which were then severely threatened. It was a question of crisis, and not of the actual sending down of gold to meet the periodical requirements of every six months.

7484. (To Mr. *Hodgson.*) It was not for the purpose of enabling the Scotch banks on those occasions to increase their issues, but it was to put them into a safer position with regard to their general banking and issuing business?—Exactly.

7485. Then may we suppose that those remittances of gold were made not only to secure the convertibility of the notes that they had out, but to assist them to meet the demands of their depositors?—Exactly.

Chairman—continued.

7486. (To Mr. *Palmer.*) Do you think that the establishment of branches or offices, or whatever we are to call them, of the Scotch banks in London will diminish the necessity for those transmissions of gold?—No, certainly not. The Act of Parliament requires that the gold shall be deposited at the head office.

7487. Then all that will happen will be that the demands for gold will probably come through the London establishments, and that they will charge themselves with the business of transmitting it?—They would employ their own agents instead of the London banker with whom they now correspond.

7489. So far as the money market then is concerned, it will make no difference?—No difference.

7489. What is your opinion as to the issue of notes of a smaller value than 5 *l.*?—I cannot think that any good purpose would be served by returning to the system of issuing 1 *l.* notes for circulation in England and Wales. The gold coin circulating in the United Kingdom is estimated by good authorities to be not less than 117,000,000 *l.*, of which the largest proportion by a very great degree must be circulating in England and Wales. If any important effect is to be produced we must suppose 1*l.* notes to be substituted to the extent of from 40,000,000 *l.* to 50,000,000 sterling, and the gold representing it to be transferred to the vaults of the Bank of England. I presume that it would not be contemplated to propose to the Bank of England to bear the cost and risk of the issue, and hence it must be borne by the State. What the risk would be may be estimated by reference to the amount of forgeries existing during the last year before the 1 *l.* notes were called in. Anything more inexpedient or unnecessary than to re-issue 1 *l.* notes in England I cannot well imagine.

7490. The risk of forgery is very much greater in the case of the smaller notes than in the case of the larger, is it not?—Very much greater; because with regard to the notes of larger denomination, the system that the Bank of England adopts of not re-issuing notes is a very great security both as regards the examination of the notes, and to the public in the tracing of notes. What you may term the average life of a 5 *l.* note is not above 80 days; 1 *l.* notes circulating among the poorer classes all through England would, in all probability, remain out for years, and you could not adopt that system of record and tracing that is adopted with the larger denomination of notes; it would be too heavy a business.

7491. How do you account for the absence of complaints of forgery in the case of the Scotch and Irish small notes?—I speak, of course, under correction, but I have understood that there is a system of clearing in Scotland by which once a fortnight, or once every three weeks, those notes all come into the numerous branches of the banks and circulate through the head office, so that by that system they come under review much more rapidly than would be possible in the case of English notes, which circulate over a much larger surface; I believe that they protect themselves to some extent by that

Chairman—continued.

that means; and the Scotch banks pay their forged notes, I believe.

7492. Of course that exchange is only of the notes that are paid into the banks, and it does not apply to the notes which remain in the hands of the public?—I am not sufficiently conversant with the system to speak with any accuracy upon that point.

7493. Do you suppose that a national system of issue could be worked, under which smaller notes could be issued in Scotland than in England?—A national system of currency for the British Isles could certainly be established without any difficulty; but inasmuch as 1 *l.* notes would have to be issued for use in Scotland and Ireland, those notes would only be legal tender in the countries where issued, and redeemable at the centres of issue; therefore centres of issue would have to be established in Edinburgh and Dublin.

7494. But suppose that such a system were established, would not the 1 *l.* notes that were circulating in Scotland be exposed to the danger which you have deprecated in the case of England, viz., the danger of forgery?—That might be so.

7495. Would it be possible to carry into Scotland, under a national system, the practice which you say that the Scotch banks adopt under their own separate system, of paying forged notes?—It never has been the practice to pay the forged notes of the Bank of England.

7496. Would it be possible, or would it be at all events admissible, to adopt in one part of the United Kingdom the practice of paying forged notes, and in another part the practice of refusing them?—Certainly not.

7497. Would you consider it safe to introduce into England a practice of paying forged notes?—I should not.

7498. If the Bank refused to pay forged notes, and if there were an issue of notes which were very much exposed to forgery, as you say the small notes are, the losers by forgery would be the great mass of the people who used the small notes, would they not?—Certainly.

7499. At present they are protected from that (at least in Scotland) by the practice of the banks to pay their forged notes?—I have understood that they do so.

7500. Then if we were to substitute a national system of issue for the present system, you would have in Scotland to choose between the withdrawal of 1 *l.* notes, to which the people attach so much value, and the withdrawal of the principle of paying forged notes, which would be a very serious blow to the community, would it not?—I should think that that would be so.

7501. Do you speak from knowledge of your own as to the Scotch banks paying forged notes?—I have no knowledge otherwise than what I have always been told is the case. The Bank of France pays its forged notes.

7502. You may perhaps be wrong in your assumption that the Scotch banks pay forged notes?—Certainly; I spoke merely from an impression.

7503. Then if you are informed that (as I believe is the case) it is not the practice of the Scotch banks to pay their forged notes, you would qualify the answer that you gave to my question a little while ago, as to how you accounted for the absence of complaints of forgery of the notes of the Scotch banks?—Certainly.

Chairman—continued.

7504. But you would still refer that absence of complaint to the fact that a considerable number of the notes are exchanged every week among the banks?—Yes. By that system, as I have understood it, they have very nearly the same facilities of examining their notes as we have in the larger denominations of notes in London.

7505. But could not such a system be organised in England of examining the notes as they came into the banks, in the event of an issue of 1 *l.* notes?—The English issues extend over a very much larger surface, and the amounts are very much larger. The whole issue of the Scotch banks is not above 6,000,000 *l.*, I believe.

7506. But if the issue is larger, I suppose that the number of banks is also larger, where the notes could be examined?—It would be a very difficult matter, I think.

7507. There must be a system under which every bank in the country must examine the notes?—Certainly.

7508. Can you give an answer to a question that has been put in this Committee, as to the extent to which the gold, and the securities in the issue department of the Bank of England are earmarked, as security for the notes, and are not liable for any of the other liabilites of the bank?—The Act of Parliament is so clear as to the separation of the issue and banking departments of the Bank of England, and the regulations laid down are so rigidly conformed to, that I cannot myself understand the condition of affairs which would deprive the note holder of the gold and securities in the issue department. The great bulk of the gold is in the vaults, under keys held by the directors, and what is in the treasury is in cupboards, the keys of which are marked "I." This may be termed earmarking, so far as it is possible to perform such a ceremony.

7509. Supposing that such a case was to happen as that the Bank stopped payment, and that all its assets were called upon to meet its liabilities, would the depositors have any claim against the bullion in the issue department?—I consider that they would not at all.

7510. Nor against the securities in the issue department?—Nor against the securities in the issue department; it has been contended that under the drawing of the Act of Parliament the depositors might raise that legal question in the event of such an almost impossible contingency; but that would certainly have to be a question for the judges of the land; so far as the Bank of England, and the managers of the Bank of England, are concerned, they consider the gold and securities in the issue department most sacredly applicable to the notes.

Mr. *Goschen*.

7511. You would consider that you were breaking the law if you took out any portion of the gold so appropriated?—Certainly.

7512. Do you consider that it would be an advantage that the provincial banks should give security for their issues?—If from any cause the State finds it impracticable to establish a uniform currency for the United Kingdom, the next best

Mr. *K. D. Hodgson*, M.P., and Mr. *E. H. Palmer*.

19 July 1875.

Mr. *Goschen*.—continued.

best plan is, beyond question, to require Government securities to be deposited for the authorised issues of the private and joint stock banks; for in such case, their convertibility would be not only an acknowledged obligation, but an assured advantage; you might say approved securities as well as Government securities; there are many things which the Government do not take now might be taken as approved securities.

7513. You would suggest approved securities to the amount of the authorised issue of the bank, or to the amount of the actual issue from time to time?—That would be a matter of negotiation with the Government. The actual issue would, perhaps, be the fairest standard.

7514. That is to say that certain securities would be deposited with the State, upon which the interest or dividend would be paid to the bank that deposited them, but that they could not be withdrawn, except for the purpose of retiring a part of the actual issues of the bank?—That is what I mean.

7515. Do you approve of the system of allowing banks to issue beyond an authorised amount against gold?—I do not see any objection to that.

7516. If that were done, would it not be necessary to earmark that gold in the same way that you say the gold in the issue department of the Bank of England is earmarked as a security for the notes?—The Government would have to take all such precautions as it might deem necessary to secure that result.

7517. But a simple provision that a certain bank was authorised to issue, 10,000 *l.*, and as much more as it held in gold, would not be a sufficient security, would it, that its issues were protected by the gold?—Of course, it would depend upon the faith and the credit of the person who applies for the extra issue; if the Government do not require any specific deposit at a specific point.

7518. It would depend upon where the gold was, would it not?—Yes.

7519. Supposing that a banker who had issued say, 100,000 *l.* worth of notes against 100,000 *l.* of gold were to fail, would not that 100,000 *l.* of gold be liable to his general creditors?—It ought not to be, but whether it would be or not I cannot say. (Mr. *Hodgson*.) It would go to his general creditors as part of his assets, unless it were earmarked in some very particular way.

7520. Then a simple provision that a bank might issue any amount as against gold, would be no security for the amount of the issues?—None.

Sir *John Lubbock*.

7521. (To Mr. *Palmer*.) Do you think that the average amount of gold held by the Scotch banks, which I believe is about 4,100,000 *l.* against 90,000,000 *l.* of liabilities, could, under any circumstances with safety, be diminished?—Certainly not.

7522. Therefore, although technically, the Scotch banks have to hold gold against a certain amount of their issue, still, as they would be obliged under any circumstances to hold at least the amount of gold which they do hold, practically that does not affect the course of their business, does it?—No, I suppose not; the gold not being earmarked for their issues.

Sir *John Lubbock*—continued.

7523. I think I understood you to say, that on the whole, you are unfavourable to the issue of 1 *l.* notes?—Yes.

7524. I presume you agree that the issue of 1 *l.* notes effects a considerable saving, by enabling a country to dispense with a gold circulation to a great extent?—Naturally.

7525. But, on the other hand, you think a gold reserve so important that you would consider the advantages of a gold circulation outweigh the saving of interest which is effected by a circulation of 1 *l.* notes?—Certainly.

7526. At present Scotland has the 1 *l.* note circulation, and we, on the other hand, have a gold circulation; do you consider that quite fair to England in comparison with Scotland?—I think that the English circulation is a much sounder one, of course; but the habits of the Scotch people are to accept their 1 *l.* notes, and it would not be desirable to change that, I think.

7527. You do not think that it is of sufficient importance to require a change; but at the same time as an abstract proposition, you would not consider it to be just and equal as between the two countries, is that your view of the case?—Exactly.

7528. The non-issuing banks in 1844 and 1845 acquiesced, did they not, in the settlement which was then made, in the full belief that they knew the extent of the privileges which were granted to the banks of issue at that time?—I conclude that they did.

7529. Do you not think, then, that the non-issuing banks might fairly complain of any increase of privileges accorded to, or (which is the same thing), any removal of existing restrictions from the banks of issue?—Yes, I think they might.

7530. And therefore not only from the point of view of the general interest, but also from that of the desirability of keeping things as far as possible equal between the different classes of banks, would you not think it undesirable to reopen the settlement of the question which was made in 1844 and 1845?—Certainly, in the direction of giving increased facilities to issuing banks. These are, of course, my individual opinions. I am not talking now as Deputy Governor of the Bank of England.

7531. I think you have already explained to the Committee that, as regarded this question, you were expressing your own individual opinion?—Yes.

7532. Whatever the technical effects of the Acts of Parliament of 1844 and 1845, may be, you consider, do you not, that the intentions of Sir Robert Peel were, that the exclusion from the Metropolis, and 65 miles round, should apply to Scotch banks as well as to English banks?—That would be my private opinion.

7533. Do you not think that if it had occurred to him, that there might be any doubt about it, he would have taken steps to prevent it?—I think he would.

7534. You can collect cheques upon all parts of England, free of any charge, through the existing banks, can you not?—Yes.

7535. On the other hand, the monopoly which the Scotch banks possess, enables them to make a charge upon the payment of cheques drawn upon themselves, does it not?—Yes; I have understood that they make such a charge.

7536. It

Sir *John Lubbock*—continued.

7536. It has been suggested that there is some superiority of value of gold in London, or some natural rate of exchange as between England and Scotland; do you think that there is anything of that sort which would account for such a charge as that made by the Scotch banks?—I never heard of such a rate of exchange. (Mr. *Hodgson.*) In former days, you paid any sum of money in Edinburgh by a 21 days' bill on London; I think it is now a seven days' bill. If I want to draw money from any of the Banks in Edinburgh, they give me a seven days' bill on London, or at least they used to do so until very lately.

7537. No doubt, that is the usual course of business, but what I asked the Deputy Governor was, whether with his great experience, he saw any reason why there should be a charge made as between London and Edinburgh, and no charge made as between London, and say, Penzance; and I understood the Deputy Governor to say, that he saw no reason for any difference in the two cases?—I believe the only reason is, that the one can get it, and the other can not.

7538. There is no natural reason?—There is no natural reason.

7539. (To Mr. *Palmer*). You are a merchant as well as being Deputy Governor of the Bank of England, are you not?—I am.

7540. I presume that your pecuniary interests are in reality rather those of a merchant than those of a banker?—Yes.

7541. Have you heard any complaints at all as regards the mode of conducting the business of the English banks, that they decline to afford any reasonable facilities or convenience asked for by their customers?—No; I have never head of any.

7542. Then do you think that the English banks offer all reasonable facilities to the trade and commerce of the country?—Yes, I think so, as far as all proper and legitimate banking facilities go.

7543. I presume from the experience of your branches, several of which you said were not remunerative, you would be of opinion that the country banks also do their business upon very reasonable terms for their customers?—So far as I am aware that is so.

7544. That would be the tendency, would it not, of your experience of the branches of the Bank of England?—Yes.

7545. You consider, do you not, that the fact that we have to pay commission to the Scotch banks, whereas the Scotch banks can collect cheques throughout England free of any charge, is a substantial grievance of which we have a right to complain?—I can understand the London bankers complaining of it, certainly.

7546. And the country bankers also, because they are in the same position, are they not, so far as that goes?—Yes.

Mr. *Orr-Ewing.*

7547. (To Mr. *Hodgson.*) Does the Bank of England complain?—It does not concern the Bank of England; it concerns the customers of the Bank of England if it concerns anybody.

Sir *John Lubbock.*

7548. (To Mr. *Palmer*). It has been alleged that one reason which makes it very desirable that the Scotch banks should come to London is in order that they might have facilities for accepting drafts drawn by foreign and colonial banks, do you think that that is a class of business which it is desirable that issuing banks should undertake?—I should not think that to accept bills from abroad would be ordinary legitimate banking business.

7549. You do not think it desirable, do you, that banks should be very largely under acceptances for foreign correspondents?—I do not.

7550. Of course it is impossible to avoid it altogether in banking, but still you do not think that it is a class of business which it is desirable that bankers should encourage?—That is my view.

7551. You regard it rather as a class of business which should be done by large merchants, and exchange banks?—It is more mercantile business than banking business.

7552. And the business which is done by the foreign and colonial banks is quite of a different character, is it not, from that which we understand as ordinary London banking business?—Quite different.

Mr. *Anderson.*

7553. I think you stated that you consider that the great policy of the Bank Acts of 1844 and 1845, was to induce the country bankers to resign their privileges of issue to the Bank of England?—To resign them to the State; perhaps I may be permitted to explain that practically since the Acts of 1844 and 1845 the Bank of England, as a Bank, has comparatively but little interest in the issue, the profits being nothing but ordinary payments for the management of the circulation on behalf of the State, and therefore any advantages which would accrue from any increase of the fiduciary issues, whether by the lapse of country bank issues or otherwise, would appertain to the State, and not to the Bank of England; I mention that because there is a notion that the Bank of England is interested in the question, but the Bank of England in this respect is merely the agent of the State as long as the Bank of England acts for the State.

7554. Then as regards that, the policy of the Bank Act has been evidently a failure, has it not?—No, I consider that it has been very successful.

7555. Has not the Bank Act been a complete failure as regards inducing the country bankers to give up their issues?—It has not been a complete failure, but it certainly has not answered the expectations of Sir Robert Peel.

7556. Has it not in fact come very far short of the intention?—You must take the facts as they are.

7557. What inducements do you give to country banks to give up their issues?—One per cent. on the authorised circulation.

7558. Is that for any term of years?—It is in perpetuity.

7559. (To Mr. *Hodgson.*) That is to say, that it is to continue as long as your privilege continues, I suppose?—It was originally for 10 years, and it has gone on from year to year ever since.

7560. (To Mr. *Palmer.*) And it will continue, will it not, until the State puts an end to it by giving the 12 months' notice?—That is so.

Mr. *K. D. Hodgson*, M.P., and Mr. *E. H. Palmer*.

19 July 1875.

Mr. *Anderson*—continued.

7561. That 1 per cent. has not been considered by the issuing banks a sufficient inducement to lead them to give up their issues, has it?—That is what I suppose.

7562. Do you resign that 1 per cent. to the Exchequer?—It is a payment which we make to the bank surrendering its issue, which we practically charge to the Exchequer.

7563. What further payment do you make in respect of that, besides the payment to the bank; you make a payment to the Exchequer also, do you not?—The security yields 3 per cent.; the Exchequer takes 2 per cent., and we take 1 per cent. (Mr. *Hodgson*.) Section 24 of the Act of 1856, the continuing Act, shows the arrangement with the bankers.

7564. It shows the 1 per cent. paid to the bank, but it does not show what you pay to the State?—The whole of the profits of the extra issue go to the State, and we take for expenses 1 per cent. out of the 3 per cent. whatever it may be.

7565. But I want to know what those extra profits are?—You may take them, I suppose, at about 3 per cent.

Mr. *Goschen*.

7566. Is that exclusive of the 1 per cent. paid to the bank as compensation?—No, that must be included. The 1 per cent. is paid to the compounding bank, and the 3 per cent. is paid to the Government, out of which they allow us 1 per cent. for management.

Mr. *Anderson*.

7567. Then really it is no object whatever for the Bank of England to get those extra issues?—None whatever as regards its pecuniary value.

7568. Is that the reason why you have only issued 1,000,000 *l.* in substitution for the lapsed and surrendered country issues, when you might have issued 350,000 *l.* more?—No; I believe the reason for it was that we wanted to keep to round sums, and that we preferred to have a circulation of 15,000,000 *l.* instead of 15,350,000 *l.*

7569. If the extra 350,000 *l.* would have been of value to you, you would have taken it, I suppose?—I do not think that we should.

7570. Under the present arrangement, I understand that it is no pecuniary benefit to the Bank of England to increase its issue by the absorption of the country bank issues?—It is no pecuniary benefit; we derive no pecuniary gain from absorbing those issues.

7571. (To Mr. *Palmer*.) You stated that you do not approve of the issue of 1 *l.* notes, but the only reason you gave for your disapproval was the fear of forgeries, and you stated as your ground for that, the number of forgeries which there had been within the last few years before the 1 *l.* notes were called in; is it not the fact, that there were far more forgeries of 5 *l.* notes at that time than there are now?—I think not; there are scarcely any forgeries of 5 *l.* notes now. In 1820, which was the year in which the 1 *l.* notes were called in, there were 27,993 forged 1 *l.* notes presented.

7572. What number of 5 *l.* notes were forged at the same date?—Of 5 *l.* notes there were 745.

7573. Have the forgeries of 5 *l.* notes been a diminishing quantity since that time?—Yes, the number has been constantly diminishing. (Mr. *Hodgson*.) There are certain changes; it is a very curious table, which I will hand in if the Committee wish. (Mr. *Palmer*.) From 1851 to 1862 there appear to have been a good many forgeries.

Mr. *Anderson*—continued.

7574. What is the number of forgeries now?—In 1874 there were 27 forged 5 *l.* notes presented.

7575. Twenty-seven in 1874 as against 745 in 1820?—Yes.

7576. (To Mr. *Hodgson*.) Is it not fair to conclude that if you had gone on issuing 1 *l.* notes there would have been a similar diminution in the number of those forgeries?—You are probably aware that there was a great forgery, or a great attempted forgery, of notes about 10 or 11 years ago. The forgers succeeded in getting some of the genuine paper of the Bank of Scotland, and they also succeeded in getting a large quantity of the genuine paper of the Bank of England. The gang was then completely broken up; we spent a very large sum of money in prosecuting them, and we broke up the gang entirely; and since 1864 and 1865 forgery has become almost unknown; but it is beginning again; not in this country, but in foreign countries.

Chairman.

7577. Can you give us the amount of forgeries within the last 20 years?—In 1850 the number of forged 5 *l.* notes had dropped to 47; in 1855 they had risen to 415; in 1856 they were 379; in 1857 they were 256; in 1858 they were 162; in 1859 they were 108; and in 1860 they were 312; I cannot give you any particular reason for the fluctuation in the numbers.

Mr. *Orr-Ewing*.

7578. Have you any objection to hand in that paper?—Not the least. (*Vide* Appendix.)

Mr. *Anderson*.

7579. What machinery do you adopt for detecting forgeries?—Our system for many years (and it has been found a very successful one) has been to make the note as simple as possible, to rely largely upon the paper, which is very difficult to make, and to obtain the most perfect uniformity. With that view we have done away with the signature by the pen of our cashier, and the signature is engraved on the plate. Since that has been done, the notes have become so perfectly uniform that our examiners can in one second say if there is the slightest difference even in the breadth of a line in any portion of the note, and that shows it to be false; I think I may say, that at the present time no forged note can pass the examiners at the Bank.

7580. In the case of 1 *l.* notes, would there not also be the same means of checking which would tend to keep the thing within very small dimensions?—It would of course enormously increase the amount of notes, and of course we should have enormously to increase our staff of examiners. (Mr. *Palmer*.) There is one point which you do not seem to consider, and that is the enormous expense of issuing 1 *l.* notes, and for what purpose?

7581. Why should the expense of issuing 1 *l.* notes be enormous?—Because it takes five times the expense to make five notes that it does to make one note.

7582. (To

Mr. *Anderson*—continued.

7582. (To Mr. *Hodgson.*) That is to say, supposing you issued your 1 *l.* notes on the same system as you issue your 5 *l.* notes, registering every number, and never issuing a note a second time; but is that a necessity?—If you do not do that you must abandon what the public have always claimed from us, namely, the means of stopping notes, and of being able to trace the notes in case of robbery. We do not re-issue, because all our notes remain in the house in a room which we call "the library," in which you can find every note that has been presented for a certain number of years back, the date at which it was presented, and the person from whom it was received.

7583. Would it be a great sacrifice to the public to give up that?—The public seem to think so, and especially the police magistrates and the judges, who have always made a great point of it with us.

7584. Have they made a greater point of it with you than with any other bankers?—We are very much larger than any other bank, and they have a claim upon us as a *quasi* public body which they have not upon private bankers.

7585. Do you not think that it would be quite reasonable that that advantage should be given in the event of 1 *l.* notes being issued?—If I had a great idea of the advantage of 1 *l.* notes, I should say that it would, but I have no such idea.

7586. You are aware, I suppose, that such a thing as the forgery of a 1 *l.* note is hardly known in Scotland or in Ireland?—I certainly was not aware of it.

7587. (To Mr. *Palmer.*) You said you thought that the Scotch bankers paid forged notes when they were presented; a Scotch banker would laugh at such an idea as that?—Having got the gold circulation, I do not see why you should establish 1 *l.* notes in England and Wales.

7588. You said that in Scotland they have a system of clearing their notes; will you explain that a little more, because I know nothing of it?—I have been told that there is a system by which the notes, through the different agencies of the banks, are cleared one with the other, and that they pass through the head office very frequently; but I am merely speaking now from hearsay.

7589. I am afraid your hearsay is mistaken; there is no system by which the small notes are collected from the branches, and sent through the head office, or at least I never heard of it; possibly you may have referred to the exchanges, but the exchanges may be carried on in a town quite apart from the head office; are you aware that the notes that are exchanged among the different branches of banks in provincial towns do not necessarily ever go near the head office, and that they may remain for years circulating in the country?—I have had no practical experience of Scotch banking.

7590. What are your other objections to 1 *l.* notes?—I have no other objection than that it seems to me to be a very unnecessary charge; I do not see the advantage of it.

7591. Is it not an enormous enonomy, say, in the matter of interest?—You must deposit gold for them.

7592. Why?—Then your object is to increase the fiduciary issue of the Bank of England?

Mr. *Anderson*—continued.

7593. I do not say what my object is; but I want to know what your objection is?—My objection is, that you have 117,000,000 *l.* of gold in circulation, and that if you propose to issue 1 *l.* notes, assuming that half that amount is taken in 1 *l.* notes by the public, if they accept your view of it, that it is a very great convenience, you then pass all those sovereigns into the vaults of the Bank, and I do not see any great advantage in that.

7594. I do not suppose that there would be any great advantage if there was no increase of fiduciary issue; but what objection have you to such an increase?—Because you impair the convertibility of the note.

7595. Does not that depend upon whether or not you issue in excess of the public wants?—No.

7596. Do you think that any quantity of 1 *l.* notes issued in a fiduciary way would impair the convertibility of the present issues?—I think that any increase in the fiduciary issue would *pro tanto* impair the convertibility of the notes, because it would reduce your stock of gold in the country.

7597. What is the advantage of having that stock of gold in the country?—It gives a substantial basis to all your trade and to all the commercial transaction of the country.

7598. Does the gold circulating in the pockets of the people help you, in the case of a foreign drain, for instance?—You have got a gold circulation, and you say you want to have paper instead of gold. I do not see the advantage of it.

7599. The advantage would be a great saving of interest, would it not?—No, not unless you sent the gold abroad, and had nothing but paper.

7600. Suppose that you did that, what would be the result?—It would be a very great disadvantage to the country, in my opinion.

7601. Would not that depend upon whether you exceeded a just proportion or not; do you think that we have so exactly hit the correct thing in our fiduciary issues at present, that if we went one single pound beyond it we should be making a great mistake?—I think that the country would not be benefited by any increase of the fiduciary issue. It is possible that you might not endanger the convertibility of the note by a few millions in excess, but there would be no advantage to be gained by it.

7602. With regard to light gold, do you clip every light sovereign that comes in to you?—Yes.

7603. Do you charge the person who sends it?—Yes.

7604. Is the amount large?—Last year we weighed 23,100,000 *l.*, and we rejected 840,000 *l.* being light gold.

7605. You paid the value for them, I suppose, making a deduction?—Yes.

7606. (To Mr. *Hodgson.*) What was the amount deducted from that 840,000 *l.*?—It depends, of course, upon the weight, which varies. As a rule you may take it roughly, I think, at from 3 *d.* to 4 *d.* per sovereign. The light gold was about 3·6 per cent.

7607. When you send boxes of gold away to the country, and they come back to you, do you weigh them again?—Yes.

7608. (To Mr. *Palmer.*) Does it ever happen

Mr. *K. D. Hodgson*, M.P., and Mr. *E. H. Palmer*.

19 July 1875.

Mr. *Anderson*—continued.

that the boxes come back to you just as they were sent away, and that still there is a reduction upon them?—There is always a reduction.

7609. Is it not very frequently the case that the boxes come back to you from Scotland without having been opened?—Yes.

7610. Is there still a reduction then?—Yes, there is still a reduction.

7611. Will you explain that?—The mere shaking of the sovereigns on the journey will make a slight difference. There is a point at which every sovereign becomes light, and many of the sovereigns turn that point on the journey.

7612. That is to say that you send away boxes of correctly weighed gold to Scotland; they come back to you without ever having been opened, and when they come back to you you are obliged to make a charge to the people for light weight? That is so.

Mr. *Goschen*.

7613. (To Mr. *Hodgson*.) Could you state how much would have to be paid for light sovereigns upon a box of gold?—It is very variable. Out of a box of 5,000 sovereigns you generally find, as an average, from five to eight or ten which have turned that point.

Sir *John Lubbock*.

7614. And the loss would be about 2 *d*. on those 10 sovereigns?—Something of that kind.

7615. So that it is a matter of, perhaps, 1 *s*. 4 *d*. on 5,000 *l*.?—Yes, it really amounts to nothing. You are aware that the sovereign which is in your pocket at eight o'clock in the morning is not the same sovereign at 12 o'clock at night.

7616. Then though this is very interesting, it is not of any pecuniary importance?—No.

Mr. *Goschen*.

7617. In money, what average difference would it make on a box of 5,000 sovereigns?—I am told that the average number of light sovereigns in a box of 5,000 may be eight, if they are not disturbed, and the charge for light weight would be 2 *d*. per coin. That would be 1 *s*. 4 *d*. on 5,000 *l*.

Mr. *Anderson*.

7618. (To Mr. *Palmer*.) Is not this weighing of every sovereign a great impediment to commercial transactions?—None at all. (Mr. *Hodgson*.) We weigh 3,000 in an hour with one machine.

7619. Are you aware that it is not done by country bankers?—I am.

7620. Are you aware that country bankers, when sending gold to the Bank of England, always pick out the heavy sovereigns, and keep the light ones?—I do not know that, certainly; but I have heard so.

7621. And the result, therefore, is that in a general way we have light sovereigns circulating all over the country, except in London?—I was not aware of that, either.

7622. (To Mr. *Palmer*.) It is as issuing bankers, I suppose, that the restriction is put upon you of publishing your accounts weekly?—The Act of Parliament requires us to do it.

7623. Do those accounts give all the information that ought to be given to the public?—They give all the information that we are required to give. (Mr. *Hodgson*.) They give all information not only as to our issue department, which the public have a most undoubted right to have, but they also give information as to our banking department, their right to have which is a very doubtful thing.

7624. You consider, then, that you are giving the public more information than they are entitled to have?—If you ask me theoretically, I say that the public get more information than they are entitled to have. If you ask me practically, I think it does a great deal of good that they should know everything. I am no advocate for concealment of any kind.

7625. The question of the amount of the bank reserve is, of course, the most interesting point in these tables; do you think that as much information is given under that head as the public ought to have?—I think, putting aside my liking for publicity, that too much information is given, and for this reason: there are many times when the Bank reserve appears to be unduly depressed when we know perfectly well that within four or five days it will be swelled by securities coming in, and by loans being paid off, and other things of which the public do not know, and they might, therefore, to some extent take fright by thinking that the Bank reserve was very low; but as a matter of fact, they are beginning to understand that the statement of the reserve gives a very inaccurate idea of the actual position of the Bank.

Chairman.

7626. Then the Bank returns are just as fallacious as the weekly revenue returns?—They are very much the same thing.

Mr. *Anderson*.

7627. Do not the reserves which you hold for other banks form an important item in the reserve?—Certainly.

7628. Do they not sometimes constitute the whole of the Bank reserve?—It may be so; but if it is so, it is always in cases when there is distrust relative to the positions of those other banks.

7629. Are not these bankers' balances very much more likely to be drawn out at a moment's notice than the other portion of your reserve?—We know the position of the bankers' balances better than any of our deposits; we know that there is a point below which they cannot go. We know that above that point everything which a banker has with us must be held ready in our till to meet the demand that he may make upon us.

7630. Would you think it objectionable to show separately in your weekly statement the amount of bankers' reserves held by you?—I have already said that I consider that our banking department gives too many particulars, and I therefore should not wish to give more.

7631. You would not be disposed to give the public that further information to show what part of the bank reserve consists of bankers balances?—No, not at all; I have heard it suggested that it would be advisable that every banker's name should be put in with the amount he kept, but that has been thought a little too strong, I think, generally.

7632. (To Mr. *Palmer*.) You said, did you not, that you had never known any inconvenience to

Mr. *Anderson*—continued.

to the money market from gold being sent down to Scotland for the term payments?—I did.

7633. (To Mr. *Hodgson.*) In 1873 was there not such an inconvenience?—I do not think that there was any inconvenience.

7634. Did the Bank rate go up to 9 per cent. at that time?—I do not consider that an inconvenience. The amount that the Bank of England sent down to Scotland at that time scarcely affected the rate; it was the demand from Germany principally that sent up the Bank rate. The 300,000 *l.* or 400,000 *l.* sent down to Scotland was a mere drop in the ocean.

7635. Was not the gold which actually went out of the country at that time only 2,000,000 *l.*?—It must have been much more than that; it took all the gold which was coming in as well; but I have not the figures before me, and I cannot tell you the precise amount.

7636. Did not 1,000,000 *l.* go to Scotland at that time?—That is far more than usual. I have not the figures before me, but I am quite certain that it was nothing like 1,000,000 *l.* at any time. (Mr. *Palmer*). It was 530,000 *l.*

7637. (To Mr. *Hodgson*). But it caused no inconvenience; it did not affect the money market?—Not the least, it was infinitessimal.

Mr. *Mulholland.*

7638. (To Mr. *Palmer*). Do you know what proportion of your issues is provincial?—The last quarterly average was 10,336,000 *l.* out of 27,100,000 *l.*

7639. Does the proportion between the provincial and central issues fluctuate much?—No, I think not; it has been the same for many years past.

7640. Have you any means of knowing to what extent there is a circulation of other notes within the 65 miles radius now?—No, we have no data on that point that I am aware of.

7641. Do you find that the notes of those banks which are not allowed to issue notes within the 65 miles radius penetrate into that district to any appreciable extent?—We never see a country note in London or within the rural districts adjacent.

7642. The notes of other banks are not paid into your branches?—No; in London we never see them, and it is very seldom that we see them at the branches.

7643. Would you receive them if they were paid in to you?—We should receive them from our customers.

7644. (To Mr. *Hodgson.*) Have you any means of knowing what is the proportion of your issue at present in the hands of other bankers?—We have no means whatever of knowing that.

7645. Your circulation has lately increased very much; is it your opinion that the increase is in the notes in the hands of the public or in the reserves in the hands of the bankers?—We have no means of knowing, but my own very strong opinion is that it results from the strengthening of the reserves of bankers arising from events which have taken place lately. I have very little doubt of it, although I have no means of knowing it.

7646. With reference to the charge upon remittances to or from Ireland or Scotland, is there not an essential difference between a bank in Cornwall (as was suggested by the honourable Baronet the Member for Maidstone) which can pay in its gold to the Bank of England branch, and a bank in Ireland or Scotland which has to send gold to London at a very considerable expense?—Yes, I should think there may be.

Mr. *Mulholland*—continued.

7647. We have had it in evidence from the Bank of Ireland that they send a very large amount of gold every year to London upon which there is a heavy charge, both for light gold, and for freight and insurance; would not that make a difference as regards the equity of the transaction?—I should think it would, but I do not hold very strongly to the equity of those transactions as to commissions. I think that the bank that can get them does so.

7648. My impression was that the Deputy Governor of the Bank of England stated, in answer to the honourable Member for Maidstone, that if there was a difference in the charges, it would not be equitable?—The mere abstract proposition did not sound equitable.

Sir *John Lubbock.*

7649. Is there any branch of the Bank of England at Penzance, which was the place I named?—No, but there is at Plymouth.

Mr. *Mulholland.*

7550. (To Mr. *Palmer.*) Still, Bank of England notes can be transmitted in England without charge, can they not, and paid into banks?—Yes.

7651. Whereas remittances from Ireland to England cannot be made in the note currency of the country, but must be made in gold, must they not?—Yes.

7652. And that entails a very heavy expense in making remittances. When the Scotch banks get the gold down into Scotland, have they any credit balance themselves with the Bank of England; do they keep accounts with the Bank of England?—Yes, most of them.

7653. When they get gold down they probably have a balance to their credit before the gold is removed?—Yes.

7654. In that case the gold is not kept in London at the expense of England, but at the expense of the Scotch banks themselves, because they receive no interest upon it?—They receive no interest upon it, any more than any other bank.

7655. I think you said that the 4,000,000 *l.* of gold which the Scotch banks hold opposite 90,000,000 *l.* of liabilities was a small proportion?—It looks small.

7656. The liabilities of the London and Westminster Bank for instance, are about one-third of the whole of the liabilities of the Scotch banks, being over 30,000,000 *l*; do they keep in gold more than one-third of the amount which the Scotch banks keep, that is to say, more than about 1,250,000 *l.*?—I cannot tell what they keep.

7657. (To Mr. *Hodgson.*) Is it your impression that, besides their balance at the Bank of England, they keep anything like that amount in gold?—Gold and bank notes, because bank notes are as good as gold to them.

7658. The question asked by the honourable Member for Maidstone was with regard to the national loss by keeping a certain amount of reserve in the shape of gold instead of notes.

Mr. *K. D. Hodgson*, M.P., and Mr. *E. H. Palmer*.

19 July 1875.

Mr. *Mulholland*—continued.

The Scotch banks have their account with the Bank of England, and they have their reserves there, and so have the London and Westminster Bank; but with reference to the gold which is held in the shape of bullion, and which is represented as being a national loss, have you any idea that the proportion held by the Scotch banks in regard to their liabilities is not quite as large as that held by any of the London bankers?—I should say that the London bankers keep more. Your reserve is entirely gold; you have no bank notes; but in London the Bank of England note is as much gold as if it were actually lying in the coffers of the London and Westminster Bank, because they have only to send it across the street, and they can turn the Bank of England notes into gold at a moment's notice. The banks in London are not bound to hold their reserve in gold as the banks in Scotland are, because the banks in Scotland can have no other reserve but gold.

7659. I was not speaking of it with reference to the convertibility as a reserve that the bank can make use of when it requires to make use of it. A balance that may be to the credit of a Scotch banker in the Bank of England, is just as useful for him to draw upon in case of need, because he can get the gold down to Scotland at once; but I mean the amount of bullion kept, which is what the honourable Baronet referred to when he spoke of the national loss from the gold being kept at the cost of England, and the note circulation of Scotland being a profit to Scotland. Can you give me an idea of the proportion of gold to liabilities held by the London banks?—We cannot give any idea of the proportion.

7660. (To Mr. *Palmer*.) Do you conceive that it is any disadvantage to England that there should be a 1 *l.* note circulation in Scotland and Ireland?—I do not think that it is.

7661. It does not lead directly or indirectly to any loss to England, does it?—No.

7662. The reserves kept by the Bank of England are not any larger in consequence of that than they would otherwise be, are they?—No.

7663. Are not the reserves held merely with reference to its own business and its liabilities to the banks which keep accounts with it?—Yes.

7664. When you spoke of 117,000,000 *l.* of gold as being in circulation in Great Britain and Ireland, did you include the stocks in the Bank of England?—Yes: that I believe to be the gold currency of the United Kingdom.

7665. Then, as you hold about 27,000,000 *l.* of gold, there would be about 90,000,000 *l.* in actual circulation in the hands of the public?—Yes.

7666. In periods of pressure do you find practically that much gold returns to the Bank of England from circulation in the hands of the public?—I do not think that we do. (Mr. *Hodgson*.) We cannot trace it any rate; it comes in through so many little rills.

7667. (To Mr. *Palmer*.) Can you not tell in your weekly accounts whether the increase of bullion can be accounted for by foreign imports?—Yes.

7668. Do you not find that at periods of great pressure, when the bank-rate is very high, much gold does, in fact, return to your vaults from circulation?—When rates are very high, it does, no doubt.

Mr. *Mulholland*—continued.

7669. Do you recollect how much of the 90,000,000 *l.* has ever come in in a week, in that way?—No; we have no table which would show it; of course there are periods when the internal circulation of the country requires a larger amount, such as, for instance, during the harvest time, and it goes out, but it comes back.

7670. But you have no means of distinguishing the special effect upon the 90,000,000 *l.* of gold held in circulation in the country of a high rate of interest, or of a period of financial pressure?—No, we have no table that will show that.

7671. Your private deposits have increased very much of late, have they not?—Of late they have.

7672. I suppose that is chiefly an increase in bankers' deposits?—They have largely increased.

7673. Do you not think that it would be a very useful guide to the public to know what proportion of the increase was in bankers' deposits, and what was in other deposits?—I do not think that we have any right to publish the bankers' balances, any more than we have a right to publish any other customers' balances.

7674. (To Mr. *Hodgson*.) Do you not think that an increase in the reserve arising from an increase in the bankers' deposits, ought to be looked at in a different light from the increase in other deposits?—There is nothing so easy to deal with as the bankers' deposits; we know perfectly well how to deal with them, and we can divide them. We know that a certain amount must remain with us, and every other sovereign and every other 5 *l.* note that there may be beyond that amount, we know that we must hold for immediate call.

7675. Does not that seem to show, however, that the amount you can deal with being a fixed amount, the fluctuations are still more important, because the whole of the fluctuations affect the surplus with which you cannot deal?—I do not think that you have a right to ask for such information from bankers more than from other people; it would be very unjust and unfair to bankers, I think, to publish to the whole community all over England what amount they happen to hold. You might as well ask what deposits are held by merchants, what deposits are held by brokers, and especially what deposits are held by money brokers. You cannot go, I think, so very minutely into the details of the private business of any customer. There is no gentleman here who is a banker who does not know that no private banker would venture to do anything of the kind.

7676. Do you not think that the Bank of England accounts are looked upon by the commercial public as a sort of barometer to guide them in their commercial transactions?—The accounts are, in my opinion, given so intelligibly at the present time, that the public have every information which they can reasonably require.

7677. Does not the question seem to be whether there is any information which is not at present given, but which would be useful to the public?—I think we give the whole of the information which can be useful to the public in the account as it is given now, and, as I have already stated, in my opinion we give a great deal more. What the

Mr. *Mulholland*—continued.

the public really want to know is, the working of the issue department.

7678. Do you not think that the fluctuations in the banking department are much more intimately concerned with the causes of financial pressure than the fluctuations in the issue department?—I think not.

7679. Do you not think that it would make a difference in the feeling of the commercial public in many cases, if they knew that the increase of the reserve was only an increase of bankers' deposits?—They would be led very far wrong if they were influenced by that. If the bankers are very full of money the Bank of England is obliged to hold their surplus deposits at their disposal almost at call, but if the bankers want to reduce their balance which is so large, it is for the purpose of employing it in the discounting of bills, or in advances on consols or other securities. By as much as they do that, by so much does the demand on the Bank of England for those advances fall off, and the result of the operation is, that the bankers' balances go down and the Bank of England securities go down *parri passu*; therefore our securities are diminished, and our liabilities are diminished.

7680. But is it not the fact that when it is a reserve from bankers' deposits it is a reserve that has been counted twice, first by the bank depositing it with you, and then by the Bank of England?—No; I do not see it in that light at all.

7681. Do not the banks who deposit their balances with you calculate upon a certain percentage which they ought to keep as reserve relatively to their total liabilities?—I cannot, of course, say what the bankers may calculate upon, but we know that they cannot work below a certain point.

7682. And then that reserve which they suppose to be prudent, relatively to their liabilities, they lay aside to be ready when required?—I cannot go into their motives, I only know what guides us.

7683. And yet, if your reserve was altogether composed of bankers' liabilities, that reserve that they looked upon as theirs, to be ready for their wants when required, would be really the reserve that you were keeping opposite your own wants, would it not?—Not much more than the reserve which I keep at my private bankers, and with which I think I shall be able to pay my bills the day after to-morrow.

7684. With reference to the acceptances which are given by bankers in London opposite goods, are not many of those upon account of the English customers of the bank, and not of the foreign customers?—They are divided. It is very often the case, if a house abroad has not credit to draw upon its house in London, that the house in London, especially in certain trades that I could mention, apply to their bankers for credits, and they draw, not upon their own house (which is always looked upon with great suspicion) but upon the bankers.

7685. Is it not a fact also that bills drawn from abroad upon bankers sell at a better rate of exchange in a foreign country than they would if they were drawn upon private houses?—There is no doubt that they do sell well.

7686. Supposing that the London house who opened this credit with the bank for whose account the bill was accepted was a rich and solvent house, would there be anything more illegitimate in a bank accepting a draft with that guarantee than there would be in its accepting a draft with a banker's guarantee?—I think that a rich and solvent house would not go to a bank to open a credit; it would order its correspondents to draw upon itself always, supposing the houses are not identical.

7687. Is it not the fact that many houses which are known in London to be rich and solvent, are not so well known abroad for the purposes of exchange as the London banks are?—As a rule no rich and solvent house giving an order for goods would take a credit from its bankers in London.

7688. In such a case it could not be said that the acceptances were merely against the goods?—No, certainly not; but that is a very small portion of the acceptances which are given by banks. I mean the proportion of those which are done for account of people resident in London.

7689. Can you tell me the total amount of 1 *l.* notes in circulation in England at the time when their issue was made illegal?—The total maximum circulation in 1821 was 24,200,000 *l.*, and the maximum of 1 *l.* notes was 6,700,000 *l.*

Mr. *Orr Ewing*.

7690. (To Mr. *Palmer*.) How many branches have the Bank of England?—Nine country branches.

7691. You have closed four branches lately, have you not?—We closed the branch at Leicester about three years ago, and that was the last which was closed.

7692. You also closed a branch at Exeter, I believe, did you not?—The branch was transferred from Exeter to Plymouth, and Gloucester was amalgamated with Bristol. We closed the branch at Exeter, and opened a branch at Plymouth for the convenience of the Government.

7693. What is the distance between Exeter and Plymouth?—About 60 miles, I think.

7694. Had you not the ability to continue the branch at Exeter?—It was not a paying branch. The Government was supplied from Exeter, and it was found more convenient that they should be supplied at Plymouth.

7695. Your branches are not entirely for the convenience of the Government, are they?—In that case it was almost entirely for the convenience of the Government.

7696. Do you not study the interest and convenience of the public?—If the public had found very great use for our branch, they would have made more use of it.

7697. Why is it that the Bank of England cannot flourish in the provinces of England?—It flourishes quite sufficiently, but the facilities which private and joint-stock banks give to their customers are more attractive, I suppose, to the public.

7698. You think that the provincial banks are able to give better terms to their customers than the Bank of England?—That is to say they allow interest.

7699. You do not allow interest even in the provinces?—No.

7700. Notwithstanding that fact, you are in

Mr. *K. D. Hodgson*, M.P., and Mr. *E. H. Palmer*.

19 July 1875.

Mr. *Orr Ewing*—continued.

favour of abolishing the issues of provincial banks in England, and of establishing a central State Bank of Issue?—I think that it would be for the interest of the public.

7701. In what way would it be for the interest of the public?—Simply because you would have a note of the convertibility of which the public was assured, instead of issues as to which they have no such assurance.

7702. Are not the public in England satisfied of the perfect security of the note issue at present?—They cannot have the same security of the convertibility of the provincial notes that they have of the convertibility of Bank of England notes.

7703. Having in view the fact that you have only nine branches, and that you have established others which have not succeeded, must we not come to the conclusion that the provinces are perfectly satisfied with the banking accommodation which they have?—That has nothing to do with the issues of the Bank of England. It is no advantage to the bank to issue notes. Anything beyond the fiduciary issue, as it is at present, is of no advantage to anybody.

7704. But if the provincial public of England were not satisfied that the issues which they received were sound and safe, would they not have taken up your issue?—That has nothing to do with the branches; they might take them from London.

7705. But surely it is necessary to have a bank near you, in order to get notes when you want them?—Not necessarily; they might equally have them from London.

7706. Do you mean to say that it would be as convenient for a man living in Exeter to write up for 1 *l.* notes to you, as to get them from a bank in Exeter?—Very nearly as convenient, I should think; he would get them from the nearest branch; but a great many of the banks which issue Bank of England notes, are not near branches of the Bank of England.

7707. For Scotland and Ireland, do you propose to have a central bank of issue in Dublin and in Edinburgh?—I beg to say that I proposed nothing.

7708. Did you not suggest it?—I do not even suggest. I was merely asked the question, and my answer was that if that system was adopted by the State, it would be necessary to have central issues from Edinburgh and Dublin to meet the 1 *l.* notes.

7709. Would you recommend such a system?—I have nothing to do with recommendation.

7710. Would you think that it would be in conformity with public policy that such a system should be thrust upon Scotland and Ireland, against the feeling of the nation?—I do not think anything of the kind; I merely said that I thought that it was in the mind of Sir Robert Peel at the time of the passing of the Acts of 1844 and 1845, but that is merely my individual opinion. (Mr. *Hodgson.*) My feeling is that it would never do to thrust anything of that kind upon a nation; the Scotch people like their system, and so far as they like it they may keep it; only I do not want the Scotch people to bring their system into England.

7711. (To Mr. *Palmer.*) You said that the English system of circulation was a more safe one than that of Scotland, what did you mean by that?—I meant that the system adopted by the A of 1844 and 1845, in providing for the conve bility of the note was a greater security to public than issues which were not so complet guaranteed.

7712. But are you aware that by the Act 1845, in Scotland, the whole issue, with the ception of 2,700,000 *l.*, is upon gold?—But t gold is responsible for the general liabilitie the Scotch banks, I believe.

7713. At all events according to the Ac 1845, they cannot issue a larger sum than authorised issue of 2,700,000 *l.*, except u gold?—No.

7714. That was a privilege that was give the Scotch banks by the Act of 1845, was it r —Yes.

Mr. *Goschen.*

7715. Is there any advantage to the n holder in the notes being issued against gol the gold is responsible for the general liabili of the banks?—No. (Mr. *Hodgson.*) Ther a proportionate advantage in there being a lar quantity of gold than there would otherwise there would be no other advantage.

Mr. *Orr Ewing.*

7716. (To Mr. *Palmer*). You are aware t the banks of Ireland had the privilege confer upon them at the same time of issuing to authorised amount of above 6,000,000 *l.*?—It about 6,000,000 *l.*

7717. And the Bank of England had a sim privilege granted to the extent of 14,000,00 which is now 15,000,000 *l.*?—Yes; but we o act as agent for the State in that matter.

7718. You had, at all events, by the Act, privilege of issuing without gold, 14,000,00 which is now extended to 15,000,000 *l.*?—T State remunerated the Bank of England for th trouble with regard to the issue, but the r profit, I consider, goes to the State. (M *Hodgson.*) The whole profit made by the Ba of England on its issue of 14,500,000 *l.*. 15,000,000 *l.*, amounts to something like 90,00 a year.

7719. (To Mr. *Hodgson.*) I understood that y only paid for the whole issue of the 14,000,00 120,000 *l.*?—It is about 200,000 *l.* a year.

7720. Does that include your over-issue? That includes our over-issue.

7721. I am not speaking of your over-iss which is upon gold, as it is in Scotland; I w to get at the privilege which the Bank of Engla has in the right of issue without gold?—£. 90,0 is all that we get for the whole issue.

7722. How many millions are you able issue not upon the basis of gold?—£. 15,000,0 on securities.

7723. £. 15,000,000 without gold represent it?—Yes.

7724. What is the amount which the p vincial banks were authorised to issue by Act of 1844?—£. 8,648,000, but it is mu smaller now; it is only 6,624,000 *l.*

7725. But I want to show what privileges banks in each country gained by the legislat of 1844 and 1845; if you add the 8,648,000 *l.* the 14,000,000 *l.* which the Bank was aut rised to issue in 1847, that amounts to abo 23,000,000 *l.*; does it not?—That makes abo 23,000,000 *l.*

Mr. *Orr Ewing*—continued.

7726. Does not that prove, therefore, that the banks in England had a greater privilege conferred upon them by the Acts of 1844 and 1845 than the banks in Scotland had of issuing notes without gold?—I do not quite understand the question, because out of those 23,000,000 *l.* at least 15,000,000 *l.* are secured.

7727. I presume that the notes in Scotland are as secure as the Bank of England notes?—I do not. But pray do not let me be misunderstood. I know the banks in Scotland far too well, and I have known them far too long not to value their responsibility; but I say that no unsecured issue of notes is equal to a secured issue. The Scotch banks hold no securities against those notes, nor do the English banks of issue. The Bank of England, which is incontestibly the richest and most powerful of all the banks, gives security to the public for every note that it issues. The other banks, although highly respectable and highly responsible, give none.

7728. Is there no security but gold?—There is no security at all in this case; there is nothing hypothecated.

7729. Do you mean to say that the Scotch banks have no securities held against their issues?—They have no securities specially held against their issues.

7730. Your gold is not earmarked, is it?—I maintain that it is earmarked, and earmarked in the most positive manner. It is earmarked in this way: that it is put into cupboards which are marked "I" for "Issue"; and it is those which are upstairs in the treasury which are used for the daily services. The keys that open those cupboards have "I" marked upon them, and the keys that open the others have got "B," for banking, marked upon them. The whole thing is kept as distinct as if they were two separate uses, and the keys are in different hands.

7731. Do you never use that gold as long as the notes are out?—Never, by any chance; we should be liable to heavy penalties if we did.

7732. After the long experience of banking in Scotland during nearly 300 years, during which time there has never but once been a failure of a bank to pay every person in full, and no case in which a 1 *l.* note has not been paid, are you prepared to say that the issue in Scotland is less safe than than of the Bank of England?—Yes, decidedly; because I do not think that any issue which is unsecured can be so safe as one which is secured. I am quite content to say that I should have no objection to have any amount of 1 *l.* notes of any of the Banks of Scotland; but, as a matter of fact, an unsecured issue is not so safe as a secured one.

7733. What security have you for the notes issued by the Bank of England above what the banks in Scotland have?—We earmark a certain quantity of gold for the purpose.

7734. That is only the over-issue, is it?—No; there are the 15,000,000 *l.* of securities, of which I have spoken; and I think you will see that they are tolerably secure. There is the Government debt to the Bank, which is 11,015,100 *l.*; there are in the Reduced Three per Cents. 1,479,589 *l.*, valued at the price of the day at 1,379,716 *l.*; there are in the New Three per Cents. 1,910,376 *l.*, valued at 1,776,281 *l.*; and there are in Consols, 889,373 *l.*, valued at 828,890 *l.*; making a total of 15,000,000 *l.* of special hypothecated, and held as security for the notes issued, not on gold.

Mr. *Orr Ewing*—continued.

7735. You paid to the Government for the use of those 14,000,000 *l.*, 120,000 *l.* a year, did you not?—It comes out at 200,000 *l.* a year, including the stamp duty. Then there is the expense of making the notes, and other charges; 90,000 *l.* to 100,000 *l.* is the profit to the bank after everything has been paid.

7736. What does the Government pay you for the amount of money that you have given them in loan?—£. 3 per cent.

7737. And therefore it is a very good transaction for you, is it not?—I have told you that the net profit on the transaction is 180,000 *l.* per annum.

7738. That is the profit to the State, but what is the profit to the Bank?—£. 90,000 *l.* is the profit to the Bank.

7739. Do you mean to say that you have only 180,000 *l.* of profit on 14,000,000 *l.*?—We will put in a statement of it which has been published two or three times. I am almost sure that I have overstated it; I am certain that I have not understated it. (*Vide* Appendix.)

Mr. *Goschen*.

7740. Will you also send in a statement as to the terms on which the Bank of England absorb other banks?—Yes. (*Vide* Appendix.)

Mr. *Orr Ewing*.

7741. You consider that the circulation, so far as the Bank of England is concerned, is more safe than the issue of the banks in Scotland?—Yes, I think that it is absolutely safe.

7742. Practically, I suppose, that it is not more safe?—I have never found it not to be so, nor have the banks in Scotland.

7743. Do you hold the same opinion with reference to the banks of issue in the provinces of England, and do you think that they are more safe than the Scotch banks?—I take it that they are not. As regards the question of safety, again I beg to use that word, without the slightest idea that the English provincial banks of issue are not responsible for their engagements, but I say that they are in the same state as the Scotch banks; that is to say, they do not give securities for their issues.

7744. (To Mr. *Palmer*.) Therefore the answer which you gave, that the English system of circulation was safer than the Scotch system, was confined to the condition of the issue of the Bank of England, and was not applicable to the issues of provincial banks?—I meant that the English system was more safe, so far as the Bank of England was concerned; I limited it to the Bank of England.

7745. And you admit that the banks of issue in the provinces of England are not more safe than those in Scotland?—Certainly not.

7746. Do you consider that the granting of credits by bankers to firms of good position in this country having houses abroad is a legitimate system of conducting banking business?—I think that it is mercantile business more than banking business.

7747. In the case of a house conducting business in Glasgow or London, desiring to conduct its business in the safest way, and wishing to enter into transactions with Calcutta, and wish-

Mr. *K. D. Hodgson*, M.P., and Mr. *E. H. Palmer*.

19 July 1875.

Mr. *Orr Ewing*—continued.

ing to draw upon a banker, what would you substitute for the banker; how could the merchant conduct his business?—He must have a correspondent; he must employ a house in Calcutta to transact his business for him, and I suppose that he employs a house of the very best credit, and that house has probably a correspondent of good credit in this country.

7748. I am speaking of a house in Glasgow or in London having a firm abroad,; in what way would you recommend that that house should sell bills?—Upon his own firm in Glasgow or London,

7749. (To Mr. *Hodgson.*) Are you aware that that there is hardly any house of good standing exporting to India that does not invariably insist that bills shall not be sent home to them drawn upon their own house?—I am quite aware of that.

7750. And therefore, however respectable a foreign house may be, if they purchase bills in the open market, they have the advantage not only of the house abroad, but of the house at home?—I do not see that there is anything illegitimate in that. It is the same class of transaction as I mentioned as being very common with other trades.

7751. It is the invariable practice with the best houses to insist upon bankers' bills, is it not?—Yes.

7752. And is it not the case that, in London, all the banks do issue credits and accept bills from foreign houses?—Yes; but the mistake into which they have fallen is that they do not issue credits for their customers only, but they issue credits for almost anybody who goes to them; and you have seen the consequences of that, in much that has taken place within the last six months; they accept bills, not only for their own regular customers, but for anybody who is introduced to them.

7753. Who are "they"?—I should not wish to mention their names in public, but I should be very willing to tell you their names privately.

7754. Do you mean Scotch banks?—I am speaking now of the banks in London, and of Scotch banks also; I could give you very strong instances, but I do not think that it is either necessary or politic.

7755. After that statement, I should like to analyse the fact?—I can give you the names without difficulty; but we have gone very much away from the discussion upon banking, I think.

7756. I would not have introduced this subject, had it not been for a question put by the honourable baronet the Member for Maidstone (similar to one which he put on a former occasion) in answer to which the opinion has been expressed that was not a sound system of conducting business?—It is not a sound system, except to a very limited extent; it is a mixture of the provinces, the merchant and the banker.

Sir *John Lubbock.*

7757. When you spoke of banking credits just now, were you referring to banks like the Oriental Bank; the Indian and Foreign Exchange Exchange Banks?—I was not. (Mr. *Palmer.*) My experience is not so varied as Mr. Hodgson's.

Mr. *Orr Ewing.*

7758. (To Mr. *Hodgson.*) Are you aware that the London banks carry on that class of business to a very large extent?—I cannot say that they do it to a very large extent, but I know they do it.

Mr. *Goschen.*

7759. Do all banks do it?—Yes, I think that most of them do it; some more and some less.

Mr. *Graham Montgomery.*

7760. Do you think that the branches of Scotch banks in London do it to a greater extent than the London joint stock banks?—I have known all three of the Scotch banks in London for a considerable time, and their head establishments are as well-conducted as any banks in London.

Mr. *Orr Ewing.*

7761. (To Mr. *Palmer.*) Has the Bank of England any objection to Scotch banks having branches in London?—We, as representing the Bank of England, can give no answer to that question. As being the bankers of the Government, we do not express any opinion upon that point.

7762. (To Mr. *Hodgson.*) You have no objections to it; you have not opposed them in any way, have you?—I am not opposed to them. As representing the Bank of England I have no opinion upon the matter. The mind of the Bank of England upon that point may be said to be a sheet of blank paper. You may ask any of the directors, and, of course, they will give you their own answers.

7763. Are you prepared to say that you have any objections?—No, not as representing the Bank of England.

7764. But as a private individual, have you any opinion upon the subject?—As a private individual, I have my own opinion upon the subject.

7765. What is your own opinion?—My own opinion specially, without the slightest reference to the Bank of England, is that I have no objection to it.

7766. (To Mr. *Palmer.*) Are you of the same opinion as Mr. Hodgson?—I think that, so far as the London bankers are concerned, they have rather a grievance in the case. (Mr. *Hodgson.*) There is great difference of opinion about it amongst ourselves.

7767. (To Mr. *Palmer.*) But the days of restrictions are all gone, and would it not be very foolish to return to them?—Then you open the whole question.

7768. Have you any objection to do away with the part of the privilege which you got in 1844, and abolish the 65 mile radius?—I think that I have answered that question.

7769. (To Mr. *Hodgson.*) Are you, as representing the Bank of England, prepared to give way upon that point?—I should think not. I should think that the Bank of England would be strongly against it, for the reasons which have been given.

7770. (To Mr. *Palmer.*) You stated, did you not, that there were 117,000,000 *l.* of gold in circulation in England?—That is so, in the opinion of those persons who are most competent to form an opinion.

7771. Upon what data do you make that calculation?

Mr. *Orr Ewing*—continued.

culation?—The basis of the calculation is the number of sovereigns coined and exported to and returned from the provinces. There was a very intelligent officer of the Bank, of the name of Mr. Miller, in the Cashier's office, and in 1858 his estimate was that there were 90,000,000 *l.* of sovereigns in circulation, as far as it was possible to make any computation. In 1871 that same calculation was continued, and it was estimated that there were about 107,000,000 *l.* in circulation in the United Kingdom. Since then there have been coined up to the 14th of July 1875, 20,000,000 *l.*, and there have been 14,000,000 *l.* imported, making 34,000,000 *l.* There have been withdrawn, in the shape of light gold, 3,000,000 *l.*, and there have been 21,000,000 *l.* exported, making 24,000,000 *l.* Deducting this from the 34,000,000 *l.*, it brings the statement up to 117,000,000 *l.*; but of course that must be only taken as an approximate statement.

7772. Are you aware that a witness, Mr. Palgrave, has been before this Committee, who has given very great attention to the statistics of banking, and who has obtained a special report from some statisticians, and that the amount which he estimated was 115,000,000 *l.*, including not only the gold in circulation but all the gold in the Bank of England, and in all the other banks in the United Kingdom?—This estimate also includes all the coin. There is about 8,000,000 *l.* of coin in the bank.

7773. Is the whole included in the 117,000,000 *l.*?—Yes.

Mr. *Goschen*.

7774. (To Mr. *Hodgson*.) Does that include the bar gold?—Not the bar gold; it is gold coin in circulation.

Mr. *Orr Ewing*.

7775. Mr. Palgrave, in answer to Question 5951, after making deductions for what was in bankers' hands, made it out that there were only 67,000,000 *l.* in circulation; should you agree in that estimate?—We have no means of testing it.

7776. I suppose you will admit that he is much more likely to be correct in his figures than the gentleman whom you have quoted?—I should not think so. Our figures do not go to such minute divisions as his do; but I should think that ours are quite as likely to be correct as his.

7777. This statement which you speak of was made by one of your clerks or officials, was it not?—Yes; but it was made by a man who was quite as good a statistician even as Mr. Palgrave, and a man who devoted his time to the subject, and worked very hard at it.

7778. (To Mr. *Palmer*.) How do you account for the circulation of England being so much greater than that of Scotland?—This Return includes the United Kingdom, Scotland, and Ireland, and everything; only I said that there was a larger proportion appertaining to England and Wales than to Scotland and Ireland.

7779. (To Mr. *Hodgson*.) How much do you make it for Scotland altogether?—I have not got the details here.

7780. Could you kindly make up that statement?—I do not think that we have any means of separating the amounts; unfortunately, the gentleman who made out that statement is dead.

7781. How long has he been dead?—Eight years. His calculation only differs from Mr. Palgrave's by 2,000,000 *l.* on the total.

7782. Was not Mr. Palgrave's calculation that 115,000,000 *l.* was the whole of the gold in the country?—Yes, and we say that it is 117,000,000 *l.*

7783. But you do not call coin in the hands of bankers coin in circulation, do you?—Yes, I do. It is not in circulation at half-past 12, but it is in circulation by a quarter to one.

7784. Were that the case with the notes in the Bank of England you would require to have a much larger sum in gold, would you not?—Yes; but I was referring to the whole stock of gold now in the country.

7785. What we were speaking of at the time was the circulation; I find that, according to the evidence before the Committee, which I believe exaggerated rather than diminished it, it is 67,000,000 *l.*; are you prepared, after making the various deductions, to consent to that, or would you make it less or more?—According to our returns it is very much more. There is all the money in the bankers' tills throughout the country, and everything that is in the banker's tills is in circulation.

Mr. *Campbell-Bannerman*.

7786. (To Mr. *Palmer*.) Is there anything at present to prevent a country bank of issue not having more than six partners from coming and doing banking business in London?—I am told that, as a matter of fact, they can do so.

Mr. *Goschen*.

7787. You have not given your special attention to that particular point, I suppose?—I have not.

Mr. *Campbell-Bannerman*.

7788. (To Mr. *Hodgson*.) The obstacle to the country banks of issue coming to London in certain instances arises, does it not, from the special privileges of the Bank of England?—It arises from the Act of 1844.

7789. But the legislation even previous to 1844, such as the Act of 1833, was designed to protect certain privileges on the part of the Bank of England, was it not?—Yes.

7790. (To Mr. *Palmer*.) Do you consider that those privileges exist at all in Scotland; has the Bank of England any privileges in Scotland?—None that I am aware of.

7791. So that if that is the reason which prevents English provincial banks of issue from coming to London, that reason does not exist at all in the case of the Scotch banks?—That is the whole question; it is not so much a question of the privileges of the Bank of England as a question of the Acts of 1844 and 1845.

7792. (To Mr. *Hodgson*.) Is there anything connected with the privileges of the Bank of England which is an obstacle in the way of the Scotch banks coming to London?—Nothing whatever; but we give no opinion whatever as to whether there should be or not; the Bank of England has declined to give an opinion upon the advisability or otherwise of the Scotch banks coming to London.

7793. I merely ask you whether there is anything

Mr. *K. D. Hodgson*, M.P., and Mr. *E. H. Palmer*.

19 July 1875.

Mr. *Campbell-Bannerman*—continued.

thing connected with the peculiar position of the Bank of England which would prevent the Scotch banks from coming to London?—Nothing whatever.

7794. (To Mr. *Palmer*.) I think you said that you would maintain the existing restrictions upon banks of issue in England, in order to drive them, if possible, into the renunciation of their issues?—As a matter of public policy, I would not remove any disability under which they now labour.

7795. With a view of gently compelling them to give up their issues?—Yes, if they can be induced to do it, I think that it would be an advantage to the public.

7796. Would that view of yours apply to the Scotch banks?—I think that it would be a great advantage to the United Kingdom that all the notes which the public are obliged to take should be secured and convertible. (Mr. *Hodgson*.) If the Scotch banks were restricted, as the English banks undoubtedly are restricted, we should oppose their being relieved from that restriction just as we do in the case of the English banks.

7797. And you would do that with a view of substituting either the Bank of England or some other State bank for the banks in Scotland?—Speaking my own private opinion, I should be glad to see all the issues everywhere under one head, and that head the State.

7798. I understood you to say that you did not think it would be politic to force any such system upon the community?—Certainly; the essential of a change in the currency is that the country should dislike what it has got, and should want something else.

7799. (To Mr. *Palmer*.) The honourable Member for Maidstone asked you, in your private capacity, whether you had heard any complaints as to a want of banking facilities in London, and you said that you had not; I presume that you would not go so far as, I think, that question might be understood as implying, and say that there was reason to oppose the establishment of new banks in London?—New banks would not be established if there was not a demand for them.

7800. Though there may be sufficient banking accommodation and facilities in London, that is no reason, is it, why new banks should be prevented from establishing themselves?—No. (Mr. *Hodgson*.) That is a matter for their consideration as to whether they can make it pay or not.

Mr. *Balfour*.

7801. (To Mr. *Palmer*.) You think that, leaving out of the account all questions about the integrity of a currency, it is a great advantage to the country to have a gold currency, in order to meet such cases as that of a bad harvest, or any great foreign payments?—Yes.

7802. What is the exact machinery by which that gold is taken out of circulation and sent abroad?—That can only be in the event of its being returned to the Bank of England.

7803. The honourable Member for Maidstone rather implied that the gold circulation of England was necessary to be kept up for the particular purpose of foreign payments?—I did not understand that to be the case. I understood the question to be whether a gold circulation did not give more stability to the general transactions of the country than a paper circulation.

Mr. *Balfour*—continued.

7804. Then it is no advantage whatever in respect of foreign payments to have a gold circulatien?—Not as regards the circulation from hand to hand. (Mr. *Hodgson*.) As regards the general question, it is of immense importance to have a gold circulation, because gold is the only the only thing which foreign countries will take in payment for the wheat which we want.

7805. I thought it was given in evidence, in answer to a question put by the honourable Member for Maidstone, that Scotland enjoys all the advantages of a cheap circulation, while England has to pay for an expensive circulation, owing to these necessities of foreign payments; that is not the case?—I do not think it is.

7806. Supposing (as might very well happen) that the payments between England and Scotland did not balance, there would clearly require to be a transfer of coin, as there is no legal tender of paper common to the two countries, and that would, of course, be an operation of some expense?—To some extent.

7807. And it would be always, I suppose, charged by a banker to his customer; no banker would do that for nothing?—No, there must be some small charge made.

7808. Therefore, even if an English bank could set up a branch in Edinburgh, it would still be obliged, would it not, to charge its customers for any payment which it made for them in Edinburgh?—There are very minute regulations adopted by English bankers, and I do not myself know what they would do in such a case. I am not a practical banker, though I am connected with banking.

7809. You said that you could always count upon the bankers not withdrawing their reserves below a certain point; can you count upon that in time of panic?—What I am about to say may seem a paradox, but in time of panic the bankers must work with much larger reserves in our hands than at other times. In time of panic the class of deposits which does not go down with us is the class of bankers' deposits.

Mr. *Torr*.

7810. They keep a larger deposit in your hands for their own security?—Yes.

Mr. *Leveson Gower*.

7811. (To Mr. *Palmer*.) Can you state how much gold was sent to Scotland on the two exceptional occasions, in 1847 and 1857, to which you have referred?—We cannot say with any certainty. (Mr. *Hodgson*.) Speaking from memory I should think it was something like from 1,000,000*l*. to 1,500,000*l*.

7812. What proportion did that bear to the gold generally withdrawn?—That was in addition. The gold which ordinarily goes to Scotland for the term payments, had already been withdrawn. That operation takes place at the end of October and at the beginning of November, and the great panic broke out towards the end of November; and, therefore, this sum of money was sent down totally distinct from the ordinary term payments.

7813. But at the time of the panic, how much was withdrawn altogether from the bank for the whole world?—I could tell you, but I have not the amounts here. My impression is that the amount was very large at that time. In the

actual

Mr. *Leveson-Gower*—continued.

actual time of the panic, there was not much gold withdrawn; on the contrary, the exchanges were in our favour, and it was the fact of the exchanges being in our favour which enabled the suspension of the Act to be effected without destroying our gold foundation.

7814. Was this gold sent to Scotland after the exchange had turned?—Yes, the exchange had turned, and the gold was beginning to come in from abroad, and it came in afterwards very rapidly indeed, in millions; but it was at the very moment of the highest crisis that it came.

7815. Can you give me any general idea as to the proportion that is required in England and the proportion that is required in Scotland?—I cannot; England does not take gold in that way. The panic of 1857 was to a great extent a commercial panic as well as a banking panic, and therefore bankers did not strengthen their reserves very much. The panic of 1866 was essentially a banking panic, and then the bankers took largely both of notes and gold from the Bank of England.

7816. (To Mr. *Palmer*.) With regard to the question of forgery, I think I understood you to state that it is your opinion that notes which have only a local circulation would be less liable to forgery than notes issued over the whole country?—Yes, I should think that they would.

7817. And therefore if 1 *l.* notes were issued, I suppose that, so far as forgery is concerned, it would be more advantageous to have local issues than one general issue for the whole country?—You could not have a variety of issues from the same centre for different localities. If the provincial banks of issue issued 1 *l.* notes, there would no doubt be less risk of forgery than there would be if the Bank of England issued 1 *l.* notes.

Mr. *Kavanagh*.

7818. I understood you to say, that on the ground of public policy you would recommend that the State should absorb or suppress all private issues?—I think that it is very desirable that all the issues should be upon the same basis upon which the Bank of England issue is now.

7819. Is that because you think that the private issues are not safe?—Because they are not of the same convertible character as the Bank of England note is.

7820. That is to say, that they are not so easily changed?—There is not the same security for the private issues as there is for the Bank of England issue.

7821. Are they not as safe?—They cannot be considered to be as safe; they may be safe, from the good management at the moment, but they cannot be intrinsically so good as the note which has specific gold and securities deposited for it.

7822. Practically speaking, do you look upon them as unsafe?—I think the Bank of England note is much safer.

7823. (To Mr. *Hodgson*.) You will excuse me for pressing the question, but do you look upon the private issues as practically unsafe?—I do not look upon them as practically unsafe; but I look upon the Bank of England note as absolutely safe, and I look upon the private note, if I may use the expression, as comparatively safe, not using the word "comparatively" in an invidious sense.

Mr. *Kavanagh*—continued.

7824. Do you think that the public in general run any risk by the State allowing those issues to continue?—There have been cases in which the public have incurred considerable risk, and have suffered considerable loss by these issues.

7825. Then your opinion is that the public does run risk by these issues?—My own private opinion is that the right of working paper money is as essentially an attribute of the State as the right of making metallic money; and I think that the issuing of paper money should be just as much the prerogative of the Government as the issuing of coin from the Mint.

7826. Do you not think that the public would suffer great inconvenience by the suppression of all private issues?—Of course the word "suppression" would intimate that whatever was to be done was to be done immediately; but if any such step is taken, it must be done with great delicacy and with the utmost care for the feelings of the people.

7827. Would you prefer the word "absorption" to "suppression"?—That is a milder term. I take it that if the private issues were absorbed very gently, and were well digested, it would be a good thing for the public.

7828. We have had it in evidence before us that the Bank of England notes are not so very easily changed, and I think that one of the witnesses said that your branches would not cash a Bank of England note issued elsewhere than at the branch at which it was presented for payment; is it within your knowledge that that is the case?—I do not want to answer one question by asking another; but is it not a rule with almost all banks, that they do not pay in gold any notes which they have issued, except at their head office?

7829. I cannot answer your question; however we have the fact that a Bank of England note issued in London would not be cashed for a stranger, say in Manchester?—It would not. A Manchester note would be cashed in Manchester, but not a London note. (Mr. *Palmer*.) The holder could demand the payment in Manchester of the Manchester note as a matter of right, and he would get the London note cashed in Manchester as a matter of courtesy.

7830. (To Mr. *Hodgson*.) He could get the cash for it after going to law, I suppose?—We must pay all Manchester notes in gold at Manchester. If a Liverpool note or a Hull note were presented for payment at Manchester, we might refuse, but practically we do not. Supposing that we have a suspicion about the note, we have the right to refuse to cash it. We must leave it to the discretion of our agent.

Mr. *Goschen*.

7831. Is a London note legal tender in Manchester; can a man, for instance, pay his hotel bill with it?—Yes, it is legal tender everywhere except at the Bank of England.

7832. Supposing that the State saw fit to absorb the private issues, some unfortunate strangers might be in an uncomfortable position, might they not?—No doubt you would have to make other arrangements as to branches.

7833. Then the fact is, that without some supplemental arrangements the absorption of private issues would be a public inconvenience?—I should

Mr. *K. D. Hodgson*, M.P., and Mr. *E. H. Palmer*.

19 July 1875.

Mr. *Goschen*—continued.

—I should say that it would; but those supplemental arrangements would not be either very costly or very difficult to carry into effect.

Mr. *Backhouse*.

7834. (To Mr. *Palmer*.) In any absorption or suppression of local issues, I presume you would have due regard to the compensation of vested interests?—That is a question for the State, and not for the Bank of England.

7835. There has been a precedent already for that, has there not, in those banks which have abandoned their issues, having already had compensation given them?—Yes.

7836. That compensation, as I understood you to say, is continued to those who are willing to abandon their issues in future?—Yes.

7837. (To Mr. *Hodgson*.) The National Provincial Bank of England did not get that compensation, did they?—They were just too late; but they have very great reason to be thankful for the day they gave up their issue.

7838. What do you mean by their being just too late?—I think the 10 years were over; there was some particular reason for it, which I forget now, but they were just shut out.

7839. The Act of 1856 renewed the right of compensation, did it not?—Yes; there was something which prevented the National Provincial Bank from receiving compensation for the loss of their issue, and they admitted it.

7840. (To Mr. *Palmer*.) You spoke of the local note not being convertible; but is it not the fact that every holder of a local note is entitled to demand gold for it at every branch of the bank by which it was issued?—He has a right to demand it, but the question is whether he gets it.

7841. Is it not the fact that, practically, whenever that bank has branches throughout any given local district, the holder of its notes can get them cashed at any of the branches of the bank?—He has a right to demand it, no doubt, and I believe that, practically, he does get the notes cashed at any of the branches of the bank.

7842. With regard to Bank of England notes, where there is no branch of the Bank of England in a district, it is a matter of courtesy among the existing banks to give the holder of Bank of England notes cash for them, is it not?—I believe it is.

7843. In the case either of a stock issue or of an issue by one bank, it would be absolutely necessary to make arrangements throughout the country to insure the convertibility of the notes, would it not?—I have never found any inconvenience up to the present time. The general character of the trade of the district has been met by the general law of supply and demand.

7844. (To Mr. *Hodgson*.) That is practically from the assistance which they receive from the banks throughout the whole country using your notes and being willing to give the accommodation that is required?—The fact is that the public want to change Bank of England notes, and you want to get them. (To Mr. *Palmer*.) Wherever the note is legal tender, the requirements for gold are not so great.

7845. (To Mr. *Hodgson*.) If a person wants something less than 5 *l*. on an occasion, he must convert his 5 *l*. note into small cash, must he not?—Yes.

Mr. *Backhouse*—continued.

7846. Practically I take it that you never find that any difficulty arises from the present restricted form of local issues throughout England, do you?—Perhaps a difficulty may be experienced one day in ten years.

7847. It has no effect upon the exchanges, has it?—Not upon the exchanges; but I have known the day when it had a great effect upon the reserve of the Bank of England, by all the issuing banks coming in 1866 almost in a run, and pouring in their bills and their consols to the Bank of England, and saying, "We must have this, and we must take the Bank of England notes down with us to-night, because we expect we shall have a run upon us to-morrow."

7848. Was not that a run upon deposits, and not a run upon notes?—I think it was quite as much a run upon notes as a run upon deposits.

7849. Are you not aware that the total circulation of all the local banks did not fall very largely during that panic?—I am quite aware of that, but I am also aware that the bankers provided for a very large fall, and that was as bad for us as if the fall had really taken place.

7850. Do you know what proportion bankers' liabilities generally bear to their issues?—I believe that their issues are exceedingly small in proportion to their liabilities; but their issues are, generally speaking, in the hands of the persons who are most easily affected by panic.

7851. Have you never heard of instances where persons have run to a bank for their deposits out of panic, and have insisted upon taking nothing but the notes of that bank, and have refused Bank of England notes and gold?—Yes, I have heard of two or three instances of that kind, both in Scotland and in England.

7852. With regard to the minimum rates of the Bank of England since 1844, have you found any considerable variation in the last 30 years in the interest charged; has the tendency of the average rate of interest been to increase or to diminish?—The management of the Bank of England has changed so much within the last 30 years that I can scarcely answer the question; there was a great idea at one time that under no circumstances should the Bank of England rate be higher than 4 per cent.

7853. My question was, whether the rate of interest had increased or diminished during the last 10 or 20 years?—I do not think that the average rate has increased, but the variations of interest have been more frequent; and they are more frequent throughout the world.

7854. (To Mr. *Palmer*.) Have you any table showing the variation of your minimum rates?—I have a table showing the variations in each year.

7855. Does it show the variations during each month?—It does not.

7856. Have you found that during the months of October and November, or April and May, there has been a tendency in the rate steadily to increase?—There has been no regular tendency in the direction of an increase of the rate in the spring; but there has been in the months of October, November, and December, because it is just at that time of the year that there is a greater demand upon the circulation for England for the harvest and for travelling purposes.

7857. (To Mr. *Hodgson*.) How long do you think that that tendency to a higher rate during these

Mr. *Backhouse*—continued.

these months has become established?—I am sorry to say that I can recollect that it was always a bad time before the Act of 1844. The months of October and November were always the months in which there was the greatest scarcity of money on the one side, and the greatest demand for it on the other; it has almost become a proverb that all crises take place in the months of October and November.

7858. Then you do not think that this demand for bullion, to meet the Scotch requirements, affects the Bank of England rate?—No, it comes back in six weeks.

7859. Have you any means of ascertaining whether a demand is for a foreign drain or for English local purposes?—Yes, we can always tell that.

7860. Does that affect the question of altering the rate of interest?—No, we go by the state of the reserve; if the reserve is going out and we have a demand upon us, we know that our rate is too low, and that we must put it up.

7861. Do you attribute the large proportion which your bullion bears to your total liabilities to the Act of 1844?—That is a large question to answer; I cannot tell how much it would be affected by the Act of 1844.

7862. Has the proportion of bullion held by the Bank of England varied much since 1844?—It has increased very largely indeed.

7863. I observe that in 1838 the proportion of bullion to total liabilities was 33 per cent., and that in 1864 it was still 33 per cent. only?—It may vary at different times, but as a rule there is no doubt that the Act of 1844 has induced a much larger amount of bullion being kept in the Bank.

7864. The discoveries of gold, I suppose, have had effect in increasing the amount of bullion held?—Certainly; but I do not think that that has operated to a very great extent.

7865. Do you consider that larger reserves are generally held by bankers in the United Kingdom than are necessary, in proportion to their liabilities?—Unless I had the information which the honourable Member for Dumbarton asked for, about bankers' accounts, I do not think that I could answer that question. We have no means of knowing either the liabilities of the bankers, or what they keep in reserve.

7866. Have you any objection to continue those returns which were put in before the Committee in 1847, in the shape of Appendices?—The Bank of England will be happy to supply any information that may be required that is in their power. Almost all these details I am told have been returned.

7867. In the Committee of the House of Lords on Commercial Distress in 1848, the following question was put to Mr. Morris, who was then Governor of the Bank of England: "Will you state what effect you conceive would have been produced upon your deposits if you had proceeded at that time to sell securities to any considerable extent?" The answer is, "My impression is that, supposing we had sold securities to the extent of about 2,000,000 *l.*, it is probable that the deposits might have been affected to the extent of about 1,000,000 *l.*; so that by selling 2,000,000 *l.* of securities we might have strengthened the reserve by about 1,000,000 *l.*"; would the same effect be produced now?—I do not agree in that opinion.

Mr. *Sampson Lloyd*.

7868. I think a short time ago in your evidence you stated, that the National Provincial Bank came just too late to get compensation for giving up its issue; may I ask whether that means that no compensation would now be given to any bank of issue which gave up its issue?—I used that expression rather colloquially, in answer to the honourable Member for Darlington; I know that there was some particular reason why the National Provincial Bank did not get the compensation which it would have got under other circumstances, but what that reason was I do not recollect.

7869. (To Mr. *Palmer*.) The object of my question is merely to elicit whether it is, or is not, a fact that a bank of issue cannot get any allowance if it give up its issue?—I think it will now by the continuing Act of 1856.

7870. (To Mr. *Hodgson*.) I think that you also stated something in favour of banks of issue giving securities for their issues; if the banks of issue in England are required by the State to give securities, and if those securities are earmarked specially for their issues, should that or should it not in your opinion, apply to the Scotch and Irish banks also?—I think that it should.

7871. In an early part of your evidence, I think you stated that with regard to the facilities at the branches of the Bank of England, everything due to courtesy and for the convenience of customers is done, and in fact, that any person known to the manager of the bank, although not a customer, would have notes changed for him, and so forth, free of charge; were you speaking then from your own knowledge of what is done at the branches of the Bank of England, in towns where there are such branches?—That is the rule which is laid down; but it is of course very much in the discretion of the agent.

7872. (To Mr. *Palmer*.) Should you be surprised if I stated that, when I was a private banker, for 25 or 30 years, all banks of issue were refused the privilege of having a regular account with the branch of the Bank of England at Birmingham at all, or of changing a single 5 *l.* note of the Bank of England issued in London, merely because they were banks of issue?—You had no account with the branch, I suppose?

7873. We were not permitted to have one. (To Mr. *Hodgson*.) I presume therefore that those facilities were given to all the public, except banks of issue?—I was not aware that it was carried to that extent, but I should say, that if it were so, and if it continues to be so, it is a very absurd regulation. It is done away with now, I believe; I know that at one time there was a sort of implied enmity between the Bank of England and private banks of issue, but to my mind it was always exceedingly absurd.

7874. With regard to the questions of the honourable Member for Glasgow, as to the balances of London bankers, I presume that the Bank of England holds the cash reserves of all the London bankers?—Yes.

7875. I notice by Table D, before me, that in 1844 the balances of the London bankers were equal to about 10 per cent. of the total reserve

Mr. *K. D. Hodgson*, M.P., and Mr. *E. H. Palmer*.

19 July 1875.

Mr. *Sampson Lloyd*—continued.

of the Bank of England, whereas in 1866 they averaged 94 per cent. of that reserve, and in 1872 they had as much as 62 per cent. I presume, that it shows that the bankers' balances are now probably larger than they were of old, in proportion to their business?—Yes, much larger.

7876. But I observe from the same table, that the Bank of England reserve is somewhat smaller in proportion to its liabilities than of old, because in the years 1846 to 1854 the average proportion of reserve to liabilities was 51 per cent., while in the years 1864 to 1872 it was 42 per cent.; I presume that the balances of London bankers are included in the Bank of England published returns amongst the private deposits, are they not?—Yes.

7877. Is it, or is it not, the fact that the great increase of deposits that has taken place of late years is partly due to the larger balance which London bankers think it right to keep?—It is partly, no doubt, due to that, but it is also partly due to the largely increased deposits of private individuals. That great increase took place after the year 1857, and has never fallen off.

7878. I perceive by the same tables that there have been several times in which the reserve of the Bank of England has been even less than the total balances of the London banks which it had at the moment?—Yes, but I have tried to explain that; in my view the bankers' balances are the safest and easiest to deal with of any; up to a certain point they must remain there, and above a certain point they must be dealt with as being held at call.

7879. I understood you to say that you considered that any downward fluctuation of the London bankers' balances was only temporary?—Yes.

7880. Still the fact remains that the bank reserve has been several times less than the London bankers' balances that it had to meet?—Our reserve is less than our deposits, but our bankers' deposits and our other customers' deposits are very much of the same kind; if any account grows up into a bloated state we know perfectly well that it will not remain in that state, and we look upon it as money to be held at call.

7881. Are not the balances of London bankers the main portion of the ultimate reserve upon which the bankers of the kingdom rely?—You must take it for granted that whenever the bankers' reserves are so large as you have seen them lately, they have been drawing on their loans to the discount houses and Stock Exchange. These bring their securities, principally English stock, to the Bank of England, and take short loans to meet the calls of the bankers. When the bankers resume making loans they take back the securities of the Stock Exchange, and the discount houses with the money thus obtained pay off the Bank. This operation takes place regularly at the end of each quarter of the year.

7882. I presume that by that answer you mean that the Bank of England holds the power of making those bankers lessen their claims upon it?—By the operation I have described the lessening of the banker's balances is accompanied by a similar reduction of the securities held by the Bank, and the reserve is not affected.

7883. Does not this system of making the

Mr. *Sampson Lloyd*—continued.

Bank of England keep the reserves of othe bankers so largely, tend to concentrate the pres sure upon one point, in time of panic, to a ver considerable extent, and would it not tend t greater steadiness in the money market if w could, by any means, make the individual banker keep their own reserves, and not swell the re serves of the Bank of England so much?—O course the issuing banks know their own busines better than I can teach it them, but in one o two panics I think I have seen great disinclina tion on the part of bankers to diminish thei reserve in the Bank of England, and a grea desire rather to make new arrangements fo raising money than to touch the sacred deposit in the Bank of England.

7884. There is no doubt that bankers like t make the Bank of England a convenient centre fo their reserves, but does not that to some exten lead the public to have a somewhat undue idea o the reserve which is practically available for th Bank of England's own business, and does it no also concentrate into one focus the demand fo money?—The Bank of England holds, as it ha held for many months, now, from 40 to 42 pe cent. of its liabilities. I do not think it matter very much how its deposits are distributed.

7885. And you do not think that the presen system is at all a source of danger?—No; lookin at the experience of three large crises, I think have never seen any danger arising from banker having too much money in the bank.

Mr. *Backhouse*.

7886. Is there any large stock of bullion o coin held in England, or in London particularly except in the Bank of England?—No larg amount, I daresay; in the hands of the refiners who deal specially in the precious metals, such as Sir Anthony de Rothschild, there may be, a the highest, 2,000,000 *l.* or 3,000,000 *l.*, or some thing of that kind.

Mr. *Goschen*.

7887. (To Mr. *Palmer*.) With regard to th Bank of England note being legal tender, is Bank of England note payable at Mancheste legal tender at Liverpool?—It is legal tender t the public, though you cannot demand coi for it.

7888. Could you pay your hotel bill, for in stance, at Liverpool with Bank of England notes —Certainly.

7889. Then that point of changing the not only arises when you wish to pay a sum less tha 5 *l.*?—That is all.

7890. And all the large transactions whic might be settled by the payment of bank note would be settled by bank notes being legal ten der, on whatever branch they were payable?— No doubt.

7891. On the other hand, provincial notes ar not legal tender?—No.

7892. So that you would not necessarily b able to pay your hotel bill with a 5 *l.* note of private bank?—No.

7893. Nor would you necessarily be able t settle large transactions?—No, not legally.

7894. Therefore the need for changing note would be less, would it not, in the case of a Ban of England note than in the case of a provincia note; the Bank of England note being lega tende

Mr. *Goschen*—continued.

tender to the amount of 5 *l.* and upwards, and the provincial note not being legal tender at all?—That is the case.

7895. Therefore, though there may be a difficulty in changing a Bank of England 5 *l.* note, when you want to pay a smaller sum than 5 *l.*, the difficulty that you might have in changing provincial notes for gold would not arise in the case of Bank of England notes?—No.

7896. (To Mr. *Hodgson*.) With regard to the note issue of country banks and Scotch banks, you said that they were practically safe; were you speaking broadly when you said that, or were you thinking of every bank?—My wish was to get rid of any idea that I was injuriously speaking of country issues, when I said that I preferred the Bank of England issue. I said, I think, that the Bank of England note was absolutely safe, and that the other was practically, and, I think I added comparatively, safe.

7897. You were pressed very hard upon the point, whether the private issues were safe, and I do not wish to say anything that would throw any doubt upon the private issues; but, as a matter of fact, there have been failures, have there not, amongst private bankers?—Yes; but I am bound to say that there have not been many.

7898. Would you be prepared to take any number of notes that might be given you of the issue of any private bank?—No, certainly not; I should exercise my judgment. The difference is, that in the case of the Bank of England notes I am not called upon to exercise my judgment.

7899. As a matter of policy, are the unsecured notes generally so practically safe that you would not think it advisable to strengthen their safety by a system of depositing securities for them?—If I cannot get the provincial notes brought under the same arrangement as the Bank of England notes, then the next best thing I can do is to get the notes of the provincial banks secured by approved securities, and ear-marked in such a way as may be possible.

7900. And although you are of opinion that the private issues are generally safe, you consider that would be a proper line of policy on the part of the State to pursue?—Most decidedly; the State has pursued a certain line of policy towards the Bank of England which is absolutely safe, and I do not see why the same line should not be pursued towards those who are what I may call only comparatively safe.

7901. Would you make the notes of any private bank so secured, legal tender?—I should consider that after I had got them so secured.

7902. With regard to the deposit of gold for the extra issue of notes in Scotland, do you consider that that is of value as it is conducted at present?—Not much.

7903. Do you see any positive harm in it?—No, I do not see any harm in it. I think that it causes a larger proportion of gold to the whole liabilities to be held than would be held without it, but I do not see that that is in anyway a security for the notes that are issued.

7904. Is that delusive to any extent as giving rise to the phrase, that the bank notes are issued upon the security of gold?—I think it is.

7905. And so far as it is delusive, is it not questionable?—Yes, I think it is. I think the same rule should be followed as we follow in the Bank of England, of ear-marking the gold.

Mr. *Goschen*—continued.

7906. With regard to the Scotch issues upon gold, is not the phrase "issued upon gold," really a fallacious and delusive phrase?—You must have the gold before you can issue the notes, but the gold does not remain attached to the notes in anyway, and therefore, so far the notes are not issued on gold in the same way as the Bank of England notes are issued upon the gold in our vaults, because those two can never be separated; the notes and the gold must remain together.

Mr. *Orr Ewing*.

7907. They are issued in compliance with the Act of Parliament?—Quite so.

Mr. *Goschen*.

7908. The Scotch banks are authorised to issue if they deposit more gold, but the deposit of gold is of no advantage to the note-holders, is it, as compared with the general creditors of the bank?—No, I should think not.

7909. In the case of the Bank of England, the securities and the gold being ear-marked, there is not only the question of the legal possession, but as you have explained, you are prevented by law from touching it?—We cannot touch it.

7910. Do you know whether there is any similar provision in the Scotch Act, and whether though the gold may be available for their creditors, generally, there is any necessity on the part of the Scotch banks to keep their reserves in the same manner as you do?—I do not think there is. There is a necessity for their having the gold before they can issue the notes, but there is no necessity, so far as I read their Act, for their keeping their gold sacred to meet those notes and no other liabilities.

7911. With regard to the relations of the reserve in the Bank of England to Scotland, Scotland has availed herself of those reserves on several occasions, has she not?—On two occasions.

7912. And she avails herself of the reserve of gold in the Bank of England whenever gold goes to Scotland, does she not?—No, not so much as regards the ordinary sendings. The Scotch banks bank with the Bank of England, and they generally have large balances in the hands of the bank on which they can draw first of all for what they want, and any excess they must provide by bringing us notes, which notes they have obtained either by borrowing on consols or by discounting their bills on acceptances in the London market.

7913. Is there at different times of the year a pressure upon the London market in consequence of the Scotch banks requiring more gold?—Only at the terms of May and November.

7914. And in times of crises do the Scotch banks know that they have got the Bank of England to fall back upon in the same way as the London bankers have?—No, they do not know it; but they are at the same time so well convinced of the great importance to the London market and to the London bankers that they should not be allowed to come to grief, that they used very largely that power in the crisis of 1857, when the Scotch banks were really hard pressed.

7915. When they were hard pressed did they influence

Mr. *K. D. Hodgson*, M.P., and Mr. *E. H. Palmer*.

19 July 1875.

Mr. *Goschen*—continued.

influence the reserve of the Bank of England?—Very largely, and at a most unfavourable moment.

7916. Is that a contingency which you, as prudent managers of the affairs of the bank, must contemplate?—You will observe that it is a contingency that does not come within the ordinary rules of our business; it is arrived at by extraordinary methods. The Scotch banks apply to the Bank of England by extraordinary ways, and not at all in the ordinary way of business. That being the case we must take into consideration that whenever we see great trouble in our own house it is likely that there will be fire in our neighbours as well. We must consider that what has come twice since 1847 may come again; but none of the Scotch banks have anything like the prescriptive right which the London bankers have to come to the Bank of England for their wants.

Mr. *Mulholland*.

7917. In 1857 the pressure would not have been so great, would it, if it had not so happened that the commercial crisis and the term time were simultaneous?—I am quite aware of that, although the great crisis of 1857 arose, no doubt, from the failure of the Western Bank of Scotland.

Mr. *Goschen*.

7918. Supposing that the Bank of England gold were not more or less at the disposal under pressure of the Scotch banks, would it be necessary for the Scotch banks themselves to keep more gold?—Certainly it would. At the same time I must say that this difficulty has only arisen twice in about 30 years, and therefore, though it is a contingency, it is not a contingency which is always before our eyes. I think it would be a very much better thing if the Scotch banks did keep more gold; but the Scotch are very good bankers, and they do not like to see money lying idle. That I believe to be at the bottom of the whole question.

7919. That is just my point; does not the fact of their keeping so little gold idle heighten in great crises the difficulty of the Bank of England, which must then pay the penalty for the Scotch banks holding so little gold?—No doubt, and it always comes at the high water mark of the tide.

7920. What have been the three great crises during the last 30 years?—The great crises in my experience during the last 30 years, have been in 1847, 1857, and 1866. The crisis of 1866 did not touch them at all; 1866 was almost essentially an English panic; it was the failure of Overend, Gurney & Company.

7921. May I then put it fairly thus: that on two out of the three occasions when there has been real and heavy trouble, the demand from Scotland for gold has increased that heavy trouble?—No doubt, but much more in 1857 than in 1847.

7922. Though it has only happened twice in 30 years, is it a matter of fact that it has happened twice out of three times when there have been great crises?—Yes.

7922*. And the Scotch, with a system which requires them to keep little gold idle, come in when the gold is most wanted by the English banks, and require their share under considerable pressure?—It is so.

7923. (To Mr. *Palmer*.) With regard to the gold circulation in the country, to what extent, if any, do you believe that coin flows into the bank under the pressure of high rates of discount?—That must be very difficult to state, but under high rates of discount coin comes in in larger proportions than at other periods.

7924. Does the high rate of interest produce an economy of circulation, and at all events prevent its being increased at that time?—Yes, largely in that way.

7925. Must you measure at such times as those, not only the gold which you attract, but the gold which you prevent from going out?—Yes, no doubt. (Mr. *Hodgson*.) I think we feel that in the shape of notes coming in. The gold is probably paid into the country bankers, and they send us up any surplus of notes that they have. Our return is almost always in notes. You will see that the circulation goes down.

7926. But the gold then flows into the tills of country bankers?—Yes.

7927. And *pro tanto* it strengthens them?—*Pro tanto* it strengthens them, and when they feel that they are getting a little too full, they send us such notes as they have instead of sending us the gold that they have.

7928. In times like that, when the rates of interest are high, do you believe that the country is strengthened by the existence of a gold circulation as compared with what it would be if there was a paper circulation?—Undoubtedly.

7929. You do not specify precisely the form which it takes, but in your opinion the commercial system of the country is strengthened by the fact that there is a large quantity of gold in circulation?—Certainly.

7930. You have no doubt whatever upon that point?—Not the slightest.

7931. If 1 *l.* notes were to be issued they would be issued, would they not, either against gold or as increasing the fiduciary issues of the country?—I would oppose in every possible way any increase of the issues. If 1 *l.* notes are to be issued they ought to be issued only as a simple matter of convenience, so as to avoid that abrasion of which we are told. I would not issue a single 1 *l.* note in excess of the present paper circulation.

7932. (To Mr. *Palmer*.) Do you hold that view?—Yes, I quite agree with it.

7933. (To Mr. *Hodgson*.) May we take it that that is the general view of the Bank of England?—I should say that it is so unanimously, or almost unanimously. (Mr. *Palmer*.) I do not know anybody who holds a different opinion.

7934. (To Mr. *Hodgson*.) With regard to the Bank of England absorbing the private issues of the country, you said that the bank had no pecuniary interest in the absorption, and I thought you rather accentuated the word "pecuniary," indicating that you had other interests in the absorption?—Probably I meant the public interest, having a very strong feeling upon the subject myself. I rejoice to see any bank giving up its issue and taking its notes from us, as the National Provincial Bank did; but we ourselves, *qua* bankers, have no object in that being done. I believe the whole of the Bank of England, almost to a man, believe that the whole circulation

Mr. *Goschen*—continued.

tion of the country would be better in the hands of the State, than now.

7935. You mean, therefore, that you, as bankers, have no pecuniary interest in it?—As bankers we have no pecuniary interest in it, but as a matter of good government, I should wish to see it. (Mr. *Palmer*.) I suppose Mr. Hodgson would also mean that it diminishes the demand upon the Bank of England in times of panic by the notes that are taken down to protect the provincial issues.

7936. (To Mr. *Hodgson*.) May I take it that in bad times if there were a State issue, a sudden pressure upon the Bank would not be felt so much as it is under existing arrangements?—I think it would depend a good deal upon what was the nature of the crisis. The crisis of 1866 was no doubt immensely aggravated by the fact that there were issuing bankers; but the crises of 1847 and 1857 were very little affected by it, because there was no run upon the issuing bankers. In 1866 the idea of the public was that the issuing bankers, and country bankers generally, had lost very heavily by the failure of Overend, Gurney & Co.

7937. Then in 1847 and 1857 the Scotch issuing banks came upon you for supplies of gold, and in 1866 the English issuing banks came upon you for a supply of gold?—Yes; the English issuing banks of course wanted notes, which were the same thing to them as gold.

7938. And in each of those three crises, the fact of there being this private circulation undoubtedly aggravated the intensity of the crisis?—Yes; it undoubtedly aggravated all three of the crises.

7939. (To Mr. *Palmer*.) You were asked whether there is anything connected with the peculiar privileges of the Bank of England which would prevent Scotch banks coming to London; would it be an infringement of your privileges if the Scotch banks issued notes in London?—I think that certainly it would be.

7940. You answered, I think, as if there was absolutely no relation between the privileges of the Bank of England and the privileges of the Scotch banks?—So far as there is issue, there is a relation, and it would be against the law.

7941. And it would also trench upon the privileges of the Bank of England, would it not?—Yes, in that way. (Mr. *Hodgson*.) The greater contains the less, and if it is against the law we do not consider the privileges of the Bank of England.

Mr. *Orr Ewing*.

7942. I suppose the banks of Ireland, as well as the provincial banks of England, depend upon the reserve in the Bank of England?—I think they keep their own reserves in Ireland.

7943. Do they never get any gold sent over to Ireland?—Yes, but they get it through their own agencies here; as a rule, Ireland sends us more gold than she takes from us.

7944. Do they not depend in times of pressure upon the Bank of England for assistance?—They never have had a pressure in my time.

7945. Do not the banks in the provinces of England depend upon the gold in the Bank of England?—In 1866 they pressed us very much.

7946. And is not that the case at all times?—No.

Mr. *Orr Ewing*—continued.

7947. You have only had one pressure, which was in 1866?—Yes.

7948. And in Scotland, in 1847 and 1857?—Yes.

7949. How much gold did you send to Scotland in 1857?—It was something like 1,500,000 *l.* in 1857; the amount in 1847 I cannot recollect.

7950. Have you no document that will show it?—No, I do not walk about with those things in my pockets; the pressure of 1847 came in a different way; it came in a demand from the Western Bank of Scotland for help and assistance in discounting bills, and that assistance was given to it, and the Western Bank of Scotland went on; the most remarkable thing, as a matter of history, is that every bank that was helped by the Bank of England in 1847, both in England and in Scotland, came to the ground in 1857.

7951. There was only one in Scotland, was there?—Was there not another one, a little one?

7952. The City of Glasgow Bank suspended for a week or two; but I think that if you will recall your memory, you will find that the amount of gold sent to Scotland in 1847 was very small?—I believe it was very small.

7593. And, therefore, it was not a very great pressure upon the Bank of England at that time?—Yes, it was; the amount was not very large, but it came at the end of a very long and serious pressure; it is the last straw that breaks the camel's back, and it was the Western Bank of Scotland, and the Northumberland and Durham District Bank, that compelled the suspension of the Act of 1844.

7954. Do you think that the banks in Scotland are not entitled to have the same privileges in relation to the Bank of England as banks in other portions of the Empire?—No, I think you have no title to them at all; so far as regards banking, the Bill of 1845, which gave you great privileges, made you a foreign country.

7955. Supposing that we have securities in England which we dispose of, and come to you in a legitimate way to get gold for them?—The only legitimate way in which you can come to us in a crisis is with bank notes in your hand, and then we will give you as much gold as you have in bank notes; but in this case you could not dispose of those securities, and you came to the Bank of England, especially in 1857, and you brought masses of bills to discount. Those bills were discounted, the notes were taken out of our till, you went to our issue department, you cancelled the notes, and you took our sovereigns away to Scotland, and we were compelled to suspend the Act of 1844. We could have refused you, but supposing we had refused you!

Mr. *Anderson*.

7956. If it had not been a good transaction for yourselves you would not have done it, would you?—That is your mistake. You came at the very moment when everybody on all sides was driving at us, and your taking that gold from us broke our backs.

Mr. *Orr Ewing*.

7957. Supposing that the banks in Scotland had wished for this money, could they not have come to you without those bills, and got gold?—No, they could not sell their consols. Consols were

Mr. *K. D. Hodgson*, M.P., and Mr. *E. H. Palmer*.

19 July 1875.

Mr. *Orr Ewing*—continued.

were, to my positive knowledge, unsaleable for notes, and it was notes that you wanted. You could have sold any amount of consols for the account 15 days off, but you could not sell consols for notes. That I assert positively.

Mr. *Goschen*.

7958. And at that time the gold which the Bank of England had preserved under its system of banking was used in part to assist the Scotch banks who had got no gold left under their system of banking?—That was the case.

Sir *John Lubbock*.

7959. At that time, I think, the London bankers had 8,000,000 *l.* with the Bank of England?—The London banks were strong.

Mr. *Mulholland*.

7960. Was there a greater demand from the Scotch bankers than from the English provincial bankers in 1847?—1847 was almost the beginning of my career in the Bank of England. The Western Bank of Scotland came to us in 1847 and one other. If I recollect rightly there was

Mr. *Mulholland*—continued.

at that time a system of banks in Scotland answering rather to our discount houses called discount banks. There were two of them which I think disappeared afterwards. But the pressure from Scotland in 1847 was nothing like what it was in 1857.

7961. Was it greater than it was from the English provincial banks?—Yes, it was quite as great, considering the extent of our connection with Scotland.

7962. But was it heavier?—I do not think it was heavier.

Sir *John Lubbock*.

7963. In 1857, I think, the London bankers had 5,000,000 *l.* at the Bank of England?—There was never any doubt about the London bankers, and I do not imagine that the question of the honourable Member for Downpatrick applies to the London bankers. The English provincial banks which pressed us at that time were doing the same class of business as the Western Bank of Scotland; they were such banks as the Royal Bank of Liverpool, the Borough Bank of Liverpool, and the Northumberland and Durham District Bank.

Thursday, 22nd July 1875.

MEMBERS PRESENT:

Mr. Anderson.
Mr. Backhouse.
Mr. Balfour.
Mr. Campbell-Bannerman.
Mr. Stephen Cave.
Mr. Chancellor of the Exchequer.
Mr. Orr Ewing.
Mr. Goschen.
Mr. Leveson Gower.
Mr. Hubbard.
Mr. Kavanagh.
Mr. Sampson Lloyd.
Sir John Lubbock.
Sir Graham Montgomery.
Mr. Mundella.
Mr. William Shaw.
Mr. Torr.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Mr. WALTER BAGEHOT, called in; and Examined.

Chairman.

7964. I THINK you are a Director of Stuckey's Bank?—I am.

7965. And you have also, as we are aware, turned your attention greatly to the subject of banking, and have written various articles, and also a book upon the subject, of great value. Are you acquainted with the evidence which has been given before this Committee as to the present legal position of the Scotch banks in England, and have you any suggestion to make with regard to it?—I cannot say that I have read the whole of the evidence which has been given before this Committee, but I have read a great deal of it with great care; the result of it seems to me to be (if I may offer a suggestion) that the question should be tried at law; Mr. Fitzjames Stephen has given evidence that the position of the Scotch banks in England is at present illegal, and, if I understand him correctly, Sir Henry Thring (to some extent) follows him; supposing them to be right, the Bill brought in by Mr. Goschen, which is the primary subject, if I am rightly informed, referred to this Committee, would be unnecessary; I would therefore humbly suggest that this Committee might ask the Government to have the question tried in some way.

7966. That is, with regard to the legal position of the question; I should like to ask you also what your opinion is as to the policy of the question. Do you consider that it is desirable that there should be one single system of banking applied to the whole of the United Kingdom, or that there should be distinctions between the banking systems and the privileges given to bankers in different portions of the United Kingdom?—I should certainly think it desirable, if we were starting *de novo*, that there should be one uniform system. Probably there would hardly be two opinions about it. If we were commencing in a new world, all banks, I suppose, should be put upon an equality, but I do not know how far that would be exactly possible under the present state of things. The Scotch system, and also the Irish system, are so extremely different from anything that prevails in England, that it would require almost a revolution to reduce them to an English level, or to raise us to the Scotch and Irish level, and I hardly know how it could be done.

Chairman—continued.

7967. I suppose we may take it for granted that no system of banking was ever created in any country brand new, introduced into it ready made, so to speak, unless, perhaps, into some colony, but that it has rather grown up by degrees, and that the development of any system in one country is likely to have been somewhat different from what it might be in another country?—No doubt. It all depends upon historical considerations. Credit is "the historical element of political economy;" the opinion people form of one another, which is the basis of banking, necessarily depends upon historical considerations, and it cannot be changed with the same facility with which you can change any ordinary element in mercantile business.

7968. So that we may consider that it is the case that in Scotland a system of banking has grown up which differs in some important particulars from the system in England?—Yes.

7969. Especially with regard to the principle of issue and the extent to which paper money of the smaller denominations is in demand?—Not only has it naturally grown up in a different form, but it must be remembered that it has also grown up under a different law from the beginning. The English system was, I should venture to say, almost spoiled; I do not say for the real benefit, but for the supposed benefit, of the Bank of England. The law did not give the Bank of England the monopoly of issue, which might have been defensible upon principle, but it gave it a partial monopoly; it said that no combination of persons more than six in number should issue notes, but it allowed any number of persons less than six to do so. That made the Bank of England, as far as possible, the only strong bank in the country, but it allowed a great many small banks to grow up. This law did not extend to Scotland.

7970. If you were now attempting to apply

Mr. *W. Bagehot.* 22 July 1875.

Mr. *W. Bagehot.* 22 July 1875.

Chairman—continued.

one system to the whole of the country, do you think that the Scotch system would be one which would work well?—Not only are there differences between the English system and the Scotch system as to note issue, but there are differences as to the rate of interest and as to charges. As to banking only, as apart from issue, I do not myself think that it is reasonable that there should be one single and uniform system of banking (using the word banking in the strictest sense) through a large country like England. A single and uniform system appears to have grown up in Scotland, which may be right there; but I do not think that it is at all natural or reasonable that there should be one system in such a county as Somersetshire, and exactly the same system in Lancashire; Somersetshire is an accumulating district where we have more money than we can employ, and Lancashire is a great employing and borrowing district where they have less money than they can employ; and, therefore, it is reasonable that in Lancashire the banks should offer more for money, and also that they should charge higher rates for money than we do in Somersetshire. The notion of having one uniform rate pervading England appears to me to be unwise, and I should be sorry to see it introduced. If you ask me whether the Scotch system would be universally applicable in England, I should answer that question by seeing how it would be applied to the Bank of England; I should think that there it would produce some very dangerous results. Owing to a most curious sequence of historical events the Bank of England holds in its banking department the cash reserve for the whole of the banks of the country. If you applied to the banking department of the Bank of England the Scotch system of giving interest on running accounts, I do not think that the Bank of England would be able to keep so large a reserve as we should all wish it to keep, and as it is necessary for the Scotch system that it should keep; I should, therefore, contend that the Scotch system was not universally applicable to the whole country. Of course, I am not saying that that is a reason why it should be kept out by law, but I think that if it were fairly tried it would be found to be unfit in certain cases.

7971. With regard to questions which are of a purely banking character, such as the question of the rate of interest that should be given, or whether interest should be allowed upon running accounts, and so forth, those are matters with which this Committee have nothing to do; we have to consider rather the bearing of the restrictions imposed upon banks in consideration of their having privileges of issue: do you think that it would be right to put all banks throughout the United Kingdom on the same footing with regard to the privilege of issue?—Of course there are certain banks which have inherited the privilege of issue, and certain others which have not, and, as far as England is concerned, I am not aware what object would be attained by depriving of that privilege those banks which already possess it. I admit that if you started *de novo*, no one would think of establishing differences between one bank and another; but nothing in England has grown up according to mathematical regularity, or is it usually at all like what anybody would make now; and it is the general course of English legislation not to abolish anything which you can find to be doing good, and which you do not see to be doing harm; or if you find it to be doing harm, to try to mitigate that harm rather than to abolish the thing itself without consideration, subject to the risk that the good which it was doing would no longer be done.

Chairman—continued.

7972. If we acted upon that principle, of leaving alone everything that is not doing harm, do you conceive that there would be any case for interference with the legal position of the Scotch banks, whatever that legal position may be, in respect of their right of coming to England?—With respect to the banks in the north of England, it does appear to me to be rather a hard case. The Scotch banks have acquired, in a way which has been explained to this Committee at great length, a very great power. There are fewer banks in Scotland now than there were in 1845, when the present system was created; they have in that way become very great, and they have been fostered by the law; and in competition with the north country banks, which have not been so fostered, they would have a great advantage. With respect to the south of England, the Scotch banks may come to Somersetshire as soon as they like. I hope I shall not say anything offensive, but I do not think they would get any credit in Somersetshire; they would not be known sufficiently, and it would be very long before they would be able to get much money there.

7973. We were starting with the proposition, that if that which exists is not doing any harm it had better not be interfered with; and I want to know what is the harm which the Scotch banks are doing, or might do, in coming to England, which would lead you to think that they should be interfered with?—I suppose that it would be a certain amount of harm if certain banks in the north of England which have been established, and which have been carrying on a prosperous business, were to lose that business by the intervention of banks which had been fostered by the State; if the State raised large banks which ruined the little ones, I suppose that there would be some harm in that.

7974. What I wish is to have before us a clear distinction between the harm which may be done to particular institutions or establishments by a competition to which they might be exposed under circumstances which would be disadvantageous to them, and any harm that might be done to the country in a national sense; do you consider that any harm would be done to the country in a national sense, by permitting the Scotch banks to exercise whatever privileges they can, or whatever rights they can, in England?—The law is bound, I think, not only to look to the consumer, but also to see that it does not itself give an enormous advantage to any single producer. Supposing that the law gave great bounties to sugar refiners in Lancashire, and did not give them to sugar refiners in Yorkshire, I do not think it would be a justification to say that all England would get its sugar cheaper; I think that the law ought to be substantially equal, so that there should be no immense difference.

7975. Then would you apply that to the English banks, and say that the law should make no distinction between one provincial bank and another provincial bank in respect of its right of issue?—Of course I was aware that I was laying down a principle of political economy, which

Chairman—continued.

which is, in some degree, contrary to my interest; but I do not wish to appear here as the advocate of an interest, but only to lay before the Committee what appears to me to be the truth; and so speaking, and subject to any bias that I may have, it does not appear to me that the amount of difference between the English provincial banks is such as to justify the interference of Parliament; but it certainly is felt in Cumberland, that the invasion of the Scotch banks there would produce considerable harm, because the Scotch banks have so much greater privileges than the Cumberland banks have; the Committee, however, are much more able to judge of that than I am.

7976. What distinction can you lay down between the advantage which, let us say, the Clydesdale Bank has over the Cumberland Union Bank and that which Stuckey's Bank, with the right of issue, has over any neighbouring joint stock bank which has not a right of issue?—It is only a question of degree; the advantage of the English issuers is but a small one in comparison of that of the Scotch; in all economical and political things I should submit that questions of magnitude and intensity are of vital importance; the question very often is, not what colour a thing is, but what shade of colour.

7977. Some evidence has been given before this Committee by gentlemen who have appeared on behalf of the Scotch banks, to the effect that the system of banking in Scotland is very much more advantageous to the public than the system of banking in England, and that opinion has been supported by calculations founded upon the returns which are published in the annual *resumé* of the "Economist" newspaper. What bearing do you consider that the accounts published in the "Economist" newspaper has upon this question?—I have seen the calculation which has been put in by Mr. Gairdner; it is founded on the principle that you should test a system of banking by the per-centage which it pays on its cash deposits; and he refers to a table of such per-centages calculated in a certain way (with which I need not trouble the Committee), which was given in the "Economist," in the case of the London banks and in the case of the Scotch banks. But I wish to observe to the Committee that any calculation founded upon cash deposits will produce very safe results when you are comparing banks in which the cash deposits are the main means of making profit, but that it will produce very unsafe results if you apply it to banks in which those cash deposits are not the great source of income, but in which their income is derived from other means. It is very obvious that in the case of a bank doing an exchange business, as so many Indian banks do, if you applied the test of cash deposit there, you might bring out very absurd results, because the profit is not produced by the cash deposits. Still more, if you applied the test of cash deposits to such banks as the Anglo-Austrian Bank, which have hardly any deposits at all, but which are banks employing their own capital in developing the resources of foreign countries, you would arrive at what may fairly be termed nonsense; no table constructed in that way will present any real facts at all. With respect to the case of the banks to which it has been applied before this Committee, I think that that doctrine to some extent applies, because we know that many banks in the north of England

Chairman—continued.

charge a high commission, which is a separate and distinct source of profit from the interest upon cash deposits, and also that they re-discount very largely. I do not know as to any particular banks in existence, because it is not disclosed in the published accounts; but I will take the case of the Borough Bank of Liverpool. At the time of its failure, it had 1,000,000 *l.* of deposits in round numbers, and 3,500,000 *l.* of bills re-discounted, and a short time before I believe it had 5,000,000 *l.* It is obvious that when you have a great source of profit like re-discount, no calculation founded on cash deposits can produce any sound results at all. The test of cash deposits applies when the cash deposits are the main means of making profit to the bank, but not in any other case.

7978. You think that the inference which was drawn by Mr. Gairdner, that if the Scottish system were introduced into England, the people of provincial England would gain about 1,000,000 *l.* a year, is a fallacious inference?—I think that it is quite a fallacious inference, because the test of cash deposits does not apply to the banks that re-discount. My own notion is (I may be quite wrong), that if the Scotch banks came into the north of England, which is a great employing district, they would be obliged to re-discount; they could not carry on business otherwise; and when they began to re-discount, the test would fail them, and that calculation would be altogether disturbed.

7979. Turning from the question of Scotch banking to the question of English banking, do you consider that the restrictions which are now put upon English banks, in respect of their right of issue, are advantageous or disadvantageous, as a whole?—It is not such a system as anybody would propose to establish, but I do not think that it does any harm to the community; and, as compared with the total abolition of the provincial issues, I should think that it had better be left as it is.

7980. You would not think it desirable either to take away the right of issue from those banks which now have it, or to extend the right of issue to those banks which have it not?—As a political economist, I should be rather in favour of extending it, upon security, to all banks. In theory, what I should lay down would be this: that you ought, with respect to a note like the Bank of England note which the Government makes legal tender, to take the utmost care that it should be convertible instantaneously, and with absolute certainty. Unless that is done, the whole exchange business of the country will be destroyed. It is absolutely necessary that if a man draws a bill in England for 5,000 *l.*, he shall know what he would get for the 5,000 *l.*, that he shall not be put off with any paper, but that he shall know that he can get 5,000 sovereigns quite certainly, without a fraction of difference. If there is the slightest difference between the legal tender and the sovereign, he cannot, of course, be so sure. But with respect to anything which is not legal tender, I myself think, as a political economist, that it would be quite sufficient if something like the system which prevails in America were adopted, and if banks were allowed to deposit stock, and possibly a proportion of coin or bullion, as a security for their issues. Supposing that the question were open for theoretical discussion, I should propose that.

Mr. *Bagehot.*

22 July 1875.

Chairman--continued.

7981. And you would give them an unlimited right of issue upon the deposit of adequate securities?—Yes, upon the deposit of adequate securities.

7982. You would think it a misfortune if the provincial issues were altogether absorbed into a national system of issue?—I should think so. I am prepared to show, I think, that the banks at present do a certain work which will not be done if they are abolished, and that the public will be put to a certain amount of inconvenience. I am not prepared to say of ruinous inconvenience to the whole nation, but to a great amount of inconvenience to small persons.

7983. Will you explain in what way you think that it would be an inconvenience?—I do not know that I can do that better than by summarising a paper which I drew up for Mr. Seebohm in answer to some inquiries which he made of me as to our practice in Somersetshire. I should say that the business which I am going to speak of must not be hardly judged because it is minute; its minuteness is exactly what constitutes its importance, because those minute transactions are very numerous, and because they affect very small persons. The mode in which the country issues are of use to the public in Somersetshire is this: there are there a very large number of dairymen and other small holders of land, who sell their produce to dealers in London, and in the large towns; they are paid by cheques on those towns, for which the country banker gives his own notes to them without charge. If you abolished the country bank-note circulation, all that would be taxed; all that petty dealing would immediately be subject to a kind of impost; and supposing that the Bank of England were to attempt to do that sort of business, they would have to establish banks all over the country to do it. Then again, there is a still poorer class of people who deal in willows and osiers in the poorest parts of the country; they sell the produce of their labour to "withy merchants," as we call them; they receive the cheque of the withy merchant, who lives, perhaps, at a distance; we cash that cheque without the slightest charge, and they take home our own notes. It is in that way that the notes are issued. But we should, of course, not do that without a considerable charge, supposing that the issue was taken away from us. Small farmers, stock dealers, and butchers, and all those kind of people, in a way which it is impossible completely to understand unless you stand by a bank counter, receive facilities of a small kind.

7984. Why could you not give those same facilities if you had not the right of issue?—We should have no motive. The motive from which we do it is to obtain the circulation of the district; we wish to issue our own notes; we wish that our notes should be the money of the district; therefore, it pays us to issue the notes, say to a small farmer, because he will keep those notes, which will be a source of profit to us. But if we had to find Bank of England notes for it, of course we should charge him a considerable sum.

7985. Supposing that your right of issue were bought up, and that you had received compensation for it, should you from that time cease to give the facilities which you now give?—Of course that might depend upon the amount of compensation. If Parliament took this into the account, and gave us liberal terms, on the understanding that we should not cease to afford th accommodation, then of course we should n cease to do it; but if Parliament, without co sideration of the interests of the public, boug it up, of course we must cease to do it.

Chairman—continued.

7986. What possible hold could Parliame have upon you, after you had received any co pensation, that you would do that which in itse would be unprofitable?—I am not aware wh hold Parliament would have upon us. Parli ment, I suppose, could revoke the compensati if it was granted, on the condition that we we to do all this business; but, at the same time, fairly own that this business is one of great d tail, and that you would have to rely to a gre extent upon the moral feeling which we might supposed to have.

7987. If I understand you rightly you mal advances, or you give facilities, upon easier ter to very small people, than you would do if y had not the right of issue, and if you had n that right of issue it would be a losing conce to you to give those facilities. If you had r ceived 10 times the value of your issue once f all, I presume that you would still, after a tim desire to conduct your business in what wou be the most profitable way to you, and that would be impossible for Parliament to sa you ought to have done this or that with rega to this particular cowkeeper or withy binder?- Of course it would be difficult, and, therefor I think it is for the consideration of Parliame whether, by abolishing the country issues, would be advisable to injure the public in th way.

7988. Do you suppose that those parts of th country where there are no banks of issue, ha not that facility?—Yes, I am quite certain th they have not in the same degree. I think th is a matter of reason, because a banker has a gre object in securing the circulation of his distric If you will allow me, I should like to give an i stance that occurred in Somersetshire the other da There is a small town called Wedmore, which in the middle of Somersetshire, in the marshe We wished to secure the circulation of that pa of the country and we opened an agency ther and we afford facilities to the public. It woul not have been worth our while to open tha agency from any other motive than to secure th circulation of that district, nor would it hav been worth anybody else's while to do it excep with that object.

7989. Then according to that view, it would b for the advantage of England to take measure for considerably extending the local circulatio and the rights of provincial banks to circulat notes?—Yes, that argument would apply, and should be prepared to contend that, as a politica economist, whether in the existing state of opinio any such scheme as I stated before is practicall possible I do not know, but it appears to me t be abstractedly sound.

7990. Do you think that bankers would b willing to deposit securities to the full extent o their issues?—That is a question that I shoul hardly like to answer. I think that a great man would not, and a great many would, My im pression is that the larger ones would, and tha the smaller ones would not, but, of course, tha is merely an impression.

7991. Do you suppose that the smaller one would prefer to surrender their issues rather tha

t

Chairman—continued.

to deposit securities for them?—I should think that they would be unwilling to give security, but that is merely my impression.

7992. Upon what grounds; upon the ground of expense?—They would think that it would not be worth their while. The expense would be very considerable to a bank with a small issue. If you deposit securities the profit is at once diminished. I believe the Scotch witnesses have given evidence to the effect that the benefit of circulation arises not only from that which is issued, but from that which lies in the till unissued. Now, supposing that there was a limit to their issues, and you took the present country bankers whose issue is limited, they would be only allowed to give security for their authorised issue, which they could not exceed, and therefore they would be at once deprived of the profit of anything beyond that.

7993. But I think in the suggestion that you made a little while ago, you did not contemplate any limit of authorised issue, did you?—I thought you were asking me with respect to the present state of things, and not as to the plan which I proposed. I really hardly know what bankers would think of such a plan as I propose, because I own that I do not think it is one that would be very popular in the present state of society either with bankers or with other persons. It is a plan which I myself as a political economist should defend, but I think it would be very likely not to be popular with the bankers or anybody else.

7994. Supposing that the State were to say: We will require all bankers issuing notes to deposit securities for the amount of notes which they issue, and we will allow all bankers who choose to comply with that condition to issue as much as they please, provided that they deposit ample securities; and we will take off all restrictions as to their coming to London, or as to the amalgamation of banks or any other restrictions; what ground of complaint do you think any banker could have?—I do not think that there would be any ground of complaint on the part of any banker; I see no ground upon which any banker could complain.

7995. Upon that hypothesis a certain number of bankers who now have a monopoly of issue would lose that monopoly, because the privilege of issue would be given to other persons and they would exercise that right, which is now given them free of any obligation, to deposit securities, subject to the necessity of depositing securities; do you think that those bankers would have any ground which could be recognised of objection to such a proposal, if it should be thought nationally desirable?—It does not appear to me individually that they would have; but I think many of the smaller bankers would think they had. It appears to me that it would be a system which would work well for the public, and one of which no individual could complain. I should say that it would require great care in the introduction of it, because you would have to consider to what extent the private issues would be substituted for the Bank of England note, and there are many considerations of practice that would require infinite caution.

7996. I am at present wishing to ask you, as speaking with some knowledge of the feelings of the provincial bankers having this privilege, how they would regard such a measure; do you consider that they would be entitled to any compensation for such a step as that which deprived them of a monopoly, and required them to give securities for their issues?—Individually I do not think that they would be entitled to any compensation for the loss of the monopoly.

7997. Could they be entitled to compensation for being called upon to give security for their issues?—Speaking for myself, I should say not; but I think they might be of a different opinion.

7998. Now let us put the other case. Supposing that the State, instead of thinking it desirable to give to all country bankers the right of issue upon securities, were to decide upon absorbing all the country issues, and taking them into a single system of State issue, do you think that then the bankers would have any right to complain, or to claim compensation?—Yes, certainly, I think so; because they would lose a source of profit which they were encouraged by the common law and by statute to acquire, and in which capital has been invested. Take the case of Stuckey's bank, for example; for more than a hundred years capital has been invested, and establishments erected, with a view of acquiring the circulation of Somersetshire; I am prepared to show that the whole banking system of Somersetshire has been based upon it, and similarly the banking system of England in other districts, and the public has been benefited in this way; therefore it would be hardly in accordance with justice or with the ordinary spirit of English legislation to take from us the right of issue without compensation.

7999. Can you state in what way the provincial issues in this country have affected the English money market?—I should make rather a strong reply to that question; I should say that they almost created the English money market in past times. If the Committee will observe, they will see that in no continental country is there anything like the system of banking which prevails in England. Abroad there are hardly any cheque banks, or anything of that kind, nor has any foreign country a monetary centre at all in the same way that England has in London. The country money is not brought to the capital at all in the same way abroad as it is here. For example, the country deposits in the Bank of France are very little over 1,000,000 *l.* sterling; if you compare that with the amount of English country money that comes to London, you will at once see the great difference. That difference has really been produced by the country issuers in England and Scotland, because during the last 100 years they have grown over the provincial parts of the country and established small banks, or rather small issuing establishments, because they were not banks in the present sense; it was a very long time before any deposits of any magnitude were acquired. I do not know whether the Scotch witnesses have drawn the attention of the Committee to a very curious body of statistics published by the Bank of Dundee. This gives their accounts from the year 1764 to the year 1864, and shows that for nearly 30 years after their establishment they had no deposits at all; they were a mere bank of circulation; in that way they established themselves, and gradually the deposit system was introduced. So it was in Somersetshire and all over England, and if the Committee will consider, that is the only way in which a deposit system

Mr. *Bagehot.*

22 July 1875.

Mr. *Anderson*—continued.

them or not, as they liked? - I think that is a subject which should be carefully considered when the plan is adopted. I am not prepared to say that it would not be sufficient.

8034. Would you be afraid of going lower than 1 *l.* notes?—I have not considered that. You must stop somewhere, I suppose.

8035. And you have not considered what the point should be at which you should stop?—I have never considered the effect in England of lower denominations of notes than 1 *l.* notes. In the Colonies they go a good deal lower, and I have heard a great deal of conversation about dollar notes, in the East, and so on; there is a great controversy upon the subject.

8036. Are you not aware that in America they go down to 10 cents, and that they are found a very great convenience there?—Yes; but that, as you are aware, is under a system of inconvertible issue.

Mr. *Balfour.*

8037. You think that sufficient security for any note issue would be given by the bank depositing securities, as I understand, to the full amount of its issue?—Yes, in the case of notes which were not legal tender; I do not extend it to the note of the Bank of England, which is legal tender. If you had the American system, by which notes are lodged with a margin (and possibly it might be better to have a little gold as they now have in America; I doubt whether that is essential, but it would be a matter for consideration), that would be quite sufficient, in my opinion, for subsidiary issues which were not legal tender.

8038. But a bank would not consider it sufficient to have merely securities as its ordinary reserve, because, in case of panic, you cannot always get money for your securities; would not the same argument apply to the issue?—Of course a bank must pay its own notes on demand, and its deposits on demand.

8039. You do not consider that securities are a sufficient reserve as against deposits, but you do consider them a sufficient reserve as against issue; is that your view?—No; I should say the banks must always have in their tills a certain amount to pay their notes, and they must always be prepared to pay their liabilities on demand. A system has grown up in this country under which the Bank of England holds the banking reserves for the whole country, and also the reserve for the country note issuers in Scotland. I do not think that a system of one sole reserve in a county held by a single bank, one which I should ever propose to establish, but it exists. It is a much greater anomaly, if I may take the liberty of saying so, than that of having some banks of issue, and some not; but there it is, and we must, I suppose, go on with the banking system into which we were born, because we cannot change it.

8040. My point rather was, that it seems to me that no deposit of securities will enable a bank to be certain of paying its notes on demand?—It does not give the bank the power of paying its notes on demand, and that is not the object with which I propose it, but rather with the object of giving confidence to the public that they will be ultimately paid. It would not make the note so secured absolutely equal to gold; there might

Mr. *Balfour*—continued.

be, and sometimes would be, fractional differences, but ultimately people would be sure of getting their money, and for the common transactions of life I hold that this is sufficient. I would illustrate it by the case of the Bank of France. The Bank of France note, though unsecured, has never been very materially different in value from gold for practical purposes; it has been only depreciated about 4 per *mille*, or something of that kind; and for all the business of the country, that small variation in value has not produced any difference, but in the exchange business of the country it has produced an entire revolution. Paris has ceased to be an exchange centre, because persons drawing bills on Paris do not know exactly what they will get. Therefore, for the legal tender of the country, I say that you must have something which will be absolutely, certainly, and instantaneously convertible into gold, but not so with subsidiary currencies.

8041. Do you think that any sudden increase of note circulation would seriously affect the money market?—Yes, I should be inclined to say that it might if it was suddenly introduced. All sudden changes are liable to suspicion.

8042. You expressed alarm, I think, on the subject?—I expressed hesitation rather than alarm. In a subject of this kind I think you ought first to know exactly what you are going to do.

8043. But still, notes and gold form so small a part of the means by which exchanges are now effected, that I should have thought that an increase of circulation would have no very great effect?—I think that you might have an immense deal of gold or Bank of England notes suddenly sent back into the banking reserve here which would very largely affect the banking reserve, and in that way produce an effect upon the money market, which would be a subject for consideration.

8044. You expressed alarm just now at the fact that the Bank of England kept all the other bankers' reserves, did you not?—I did not express alarm, but I say that the system is one of the most peculiar things in England; it is a system which I do not suppose anybody would propose to establish, and which throws upon the directors of the Bank of England a very heavy responsibility.

8045. It was given in evidence by the directors of the Bank of England that the bankers' deposits were those upon which they could most securely rely, and that in time of panic, instead of decreasing, they invariably augmented?—They, no doubt, do augment. I do not know what the bank directors may have said here, but I have heard bank directors say that it is because the ordinary business of London does not go on in its usual way. For instance, the London and Westminster Bank said, in 1857 that they held, I think, 5,000,000 *l.* of bills on deposit or re-discounted for bill brokers; in the panic they did not ask the bill brokers to find the money, but they allowed those bills to become due; they did not deposit the money with the brokers, but put the money in the Bank of England. That would make 5,000,000 *l.* of bills, we will say, deducted from the money market. In this way those 5,000,000 *l.* of bills were practically re-discounted by the Bank of England. So that there is thrown by bankers upon the Bank of England, under the present system, a burden which I certainly should not,

Mr. *Balfour*—continued.

not, as a political economist, wish to see thrown upon it, if you could alter the system in any way.

8046. Will you explain what you mean by those bills being re-discounted by the Bank of England?—I mean, that supposing the London and Westminster Bank allowed its bills to run into cash, those bills must be paid in some way, and they can only be paid by the discount of other bills, because there is no fresh money coming into the market. Those bills in time of panic can only be discounted at the Bank of England, and therefore the bankers' deposits were really, when the matter is searched into, discounted by a loan from the bank in that case; and it is the same in other cases.

8047. But the bank is not obliged to discount those bills?—Part of our system in England is, that in time of panic there is no real discounter of new bills except the Bank of England. The Bank of England holds the sole banking reserve of the country, and any one who holds that banking reserve must hold it against the liabilities of the country, the liabilities which it is held to meet. Supposing that the reserve was held by many banks, it would be absolutely necessary that they should lend in a panic, in the same way as it is practically absolutely necessary that the Bank of England should lend. When you say that it is optional, of course they are not legally compellable to do it, but it is part of the business which they have undertaken, and the world will stop if they do not do it.

8048. But still the position of the Bank will be secure?—I think that in case of refusal, very probably the Bank itself would come down, because every other bank would come down, and the Bank of England could not stand alone, nor perhaps would the other bankers leave it standing alone.

8049. When the directors of the Bank of England said that they were quite certain of keeping the balances of the other bankers up to the old level, that is only done by their taking the liabilities of the other bankers upon themselves, is not that so?—If the Bank of England were to stop discounting, the bankers' balances would very likely be withdrawn.

8050. It all depends upon that, does it not?—If you can conceive the case of the Bank of England not discounting in a panic, then I think that the bankers would, no doubt, withdraw their balances; but I should be sorry to conceive such a case.

8051. With regard to the Scotch banks, the contention is, of course, that the Scotch banks having a monopoly in Scotland ought not to be allowed to compete with English banks in England; will you explain what advantages, in your view, is given to the Scotch banks in England by their Scotch monopoly?—They have become very large and powerful in Scotland, and it is their magnitude which gives them an advantage in England.

8052. Then an equally large bank which had no privilege anywhere would be quite as dangerous to the English banks as the Scotch banks now are?—Yes; but then there would not be the same ground of complaint against it as far as it goes, because it was not fostered by law. The ground of complaint, as far as there is a ground of complaint, on the part of Cumberland bankers, who, I think, are the only persons much aggrieved, is, that the Scotch banks were fostered by law. An equally large bank not fostered by law would not be open to the same objection.

Mr. *Balfour*—continued.

8053. I presume that if the Scotch banks' right of issue were withdrawn they would be quite as formidable opponents as they now are?—But they would not be liable to the same objection.

8054. So that when the Cumberland bankers come and ask the law to interfere to assist them, the law really cannot assist them; it may do an injury to the Scotch banks, but it cannot protect the Cumberland bankers; is not that so?—It would allow of an effective competition in Scotland which is not now possible. It would allow a new bank to go down and start in Scotland, which is not possible now, because no bank could compete with a Scotch bank of issue.

8055. But still, so far as the bank actually in Cumberland is concerned, it would be no assistance if the Scotch right of issue was abolished, and, therefore, it can hardly complain of the Scotch right of issue being allowed to remain?—The only ground of complaint is, I think, that very great adversaries have been established by the law, and are still continued by the law.

8056. But still, if the law was abolished, the greatness of the adversaries would not be abolished?—That may or may not be; it would then be competent for people to go into Scotland and compete with the Scotch banks on equal terms, which is not now possible.

Mr. *Mundella.*

8057. At the outset of your evidence you gave us a very interesting and graphic account of your estimate of the value of issues, and how you considered that they built up the English money market; do you consider that the uses of issues have been exhausted?—I think that the first stage of credit is a stage of note issue, and that gradually the note issue becomes of very much less importance, and that then you come to the second stage, when deposits become the principal form of banking.

8058. Having regard to the extent of deposit banking in Scotland, as compared with England, do you think that we have sufficiently developed the uses of note issues in England, as compared with Scotland?—I think that it would be possible to obtain more from England, and, as far as it was done by a safe system of note issue, I should think that it would be good; but, if I might answer your question fully, I should say that I am not quite sure about the introduction of the Scotch system, for I think that giving so high a rate for deposits, as they do, might be dangerous. The Scotch system is founded upon two things: first, upon a system of note issue; and next, upon a high rate for running accounts. So far as the note issue goes under proper regulations, I daresay it is good; but as to the high rate which they give for money, I think that we have yet to learn whether it is good or not. Every day's experience of the money market, I think, increases the apprehension of many persons that altogether we are giving too high a rate for money, and that the amount of reserve which we keep, is in consequence unduly diminished.

8059. Apart from those considerations, do you not think that the Scotch system has had a very beneficial effect upon the national character in developing habits of thrift among the Scotch people?—I think that it has had an extremely beneficial

Mr. *Bagehot.*

22 July 1875.

Mr. *Bagehot.*

22 July 1875.

Mr. *Mundella*—continued.

beneficial effect upon the world, and upon the nation in general. I would not for one moment speak disrespectfully of the Scotch system of banking; I think it is, in many respects, the best system that the world has seen; but if you ask me about the Scotch character, I think that the Scotch character was much the same before the present system of banking was established in Scotland.

8060. In your opinion, would it not have the same tendency in England to develope habits of thrift if banking were pushed to the same extent in England as it is in Scotland?—I do not see how it would encourage thrift very much, except by giving higher rates for money, which I am not clear ought to be given.

8061. Your suggestion to the Committee is, that we should authorise issues upon securities, is it not?—I do not offer it as a practical suggestion. I was asked what I thought would be theoretically desirable, but I am afraid that the world would not admit of it.

8062. That, in your view, I think you said, at any rate, as a political economist, is the most desirable system?—That is the system which I should myself maintain as a theoretical economist.

8063. Supposing that that theory were put into operation, what would be your views as to the status of the Bank of England under those circumstances?—Some one must keep the legal tender. My suggestion only applied to what I called the subsidiary issue. You must have a legal tender note secured in some very different way, by very large amounts of gold being kept either in the present way or in some other way; so that an enormous quantity of gold would be kept, so as to secure the instant convertibility of the note.

8064. You expressed some apprehension lest an expansion of the note circulation should take place too suddenly, did you not?—I meant to say, that supposing that a great amount of subsidiary notes were suddenly issued, either gold or Bank of England notes might be suddenly returned to London, to the banking department of the Bank of England; and the Bank of England, not knowing what to do with them, might lower the rate of interest very fast, and bring on events which I should not like to see. I do not say that it would happen, but I think that it would require great care in the transition state.

8065. Do you not think that such an extension of circulation must necessarily, after all, take place very gradually?—"Necessarily" is a very strong word.

8066. Must not they first win the public confidence?—Secured notes, it might be said, would probably have the public confidence. I think that the transition from one system of currency to another is fraught with great ground for anxiety, and that you must take the greatest care at that delicate period.

8067. You are acquainted with the proposals in the Bill which has been the occasion of the appointment of this Committee, as to the exclusion of the Scotch banks from London; do you think that that would be to the advantage of the English money market?—I do not think that it would produce any effect at all upon the general money market.

8068. Do you think that it is any great disadvantage to the English banker that the Scotch banks should come to England?—I think that the Cumberland banker, just over the Border, may have reason to complain that he was placed in contact, at Carlisle, with competitors of State creation who were too strong for him; but I confess that I am dubious whether any one else has very great ground of complaint.

8069. You think that the London banker has really no reasonable ground to complain?—I am surprised at the interest which the London bankers take in the matter; I should certainly have thought that the Scotch bankers would never produce much effect here.

8070. The only person aggrieved, you think, is the banker on the Border?—The person principally aggrieved is the banker on the Border.

Mr. *Balfour.*

8071. With regard to your historical view of banking, you seem to think that it is impossible that a bank should start by receiving deposits, but that it could start by issuing notes; what is the exact process by which a bank gets its notes taken?—The process in England and, I take it, in Scotland, has been first in giving change.

8072. But who comes to the bank for change?—The world in general. Very many of tho smaller English bankers were shopkeepers also, and they gave notes in change for whatever was brought to them. For a bill upon London or anything of that kind they gave their own notes, and they also lent money. They provided the money of the district.

8073. But before anybody would take their notes in exchange, they must have that confidence in them which you say it requires the issue of notes to produce?—No; it is one thing to refuse a note when it is offered, and it is another thing to bring hard cash in large sums to a bank; it is a much greater act of trust to bring 300 *l.* in sovereigns to a bank than it is to take the notes in detail when you find an issue established.

Mr. *Leveson Gower.*

8074. I assume from your evidence that you disapprove of the monopoly of issue which was established in Scotland in 1845?—I very much doubt whether the Act of 1845 is capable of much defence. I do not know whether that is part of the subject-matter of this Committee. The Act of 1844, in England, has done, I think, an immense deal of good in various ways, but as regards the Act of 1845 in Scotland I have very great doubts whether it has ever done any great good; and if you have to explain it to a cultivated American or any person of that sort, it is one of the most difficult things to make him understand that can be conceived. I have several times had to do it, and I have found that the American thought I must be talking to him of a law which could not exist; it was so incomprehensible.

8075. I merely meant with regard to limiting the monopoly of issue which was established in 1845 in Scotland; I suppose you would think that that was undesirable?—I think that it is theoretically, undesirable, certainly.

8076. If that monopoly had not been established, would you then equally think that it would have been right to exclude the Scotch banks from the North of England?—Supposing that the law had been uniform, and that there had been one system in

Mr. *Leveson Gower*—continued.

in Scotland and in England, there would have been no case for their exclusion.

8077. When you say that it is hard upon the Cumberland bankers that the Scotch bankers should be admitted to England, is it not, on the other hand, hard upon the public to prevent their being admitted?—There are cases, I think, in which extreme hardship upon the producer may outweigh the good done to the consumer; at least I think it may be the duty of the State to see that all producers are put upon a footing of equality when any great harm is being done by the inequality.

8078. Then it is on account of its extreme hardship that you would make this an exception to the general rule of political economy, to consult the interest of the public in preference to that of individuals?—I should not assent to that as a doctrine of political economy. I should say that it was the duty of the State, in the first instance, to make its laws so that all producers were on a level.

8079. But is it not the ground of that rule that if you do not do so you may restrain competition?—That is one ground, but I am not at all sure that it is the only ground. One ground is, that by allowing everybody to start equal you will develope the best man.

8080. Supposing that Scotland was a foreign country, would you equally object to the Scotch banks coming to England?—No; because the inequality is not then created by your own laws. If a French bank, or any other bank which is not fostered by our own law, chose to come here, I think it would be for the good of the public, and I should not complain; but I think that with respect to our own laws they ought to be equal.

8081. Looking at it entirely as a question of political economy and of the material advantages of England, the result would be exactly the same, would it not, whether Scotland was a separate country or the same country?—But the English Government would not have done its duty, I think, if it had allowed certain of its producers to be ruined by the inequality of its laws; if, for example, it gave a bounty upon sugar refining in Yorkshire, and did not give it in Lancashire, it would be clearly unjust to Lancashire; if the French Government choose to give a bounty upon sugar refining in France, and the French send sugar here, I have no objection to that, because it is not done by us; but each Government ought to frame its own laws equally.

8082. The case which you put is one of actual competition; I am not putting it as a question of justice, but I am merely asking whether it would not be a material advantage to England to admit all banks if Scotland was a foreign country?—Yes, business might be done more cheaply.

8083. Would it not equally be to the material advantage of England, putting the question of justice entirely on one side if, Scotland being under the same government as England, the Scotch bankers were admitted into England?—Yes, that would be so.

Mr. *Backhouse.*

8084. Do you think that the public would gain any advantage whatever by the admission of the Scotch banks into England?—I have not said that they would.

8085. With regard to the distinction of banks of issue and banks of non-issue in England, is it

Mr. *Backhouse*—continued.

not the fact that all banks that were established prior to 1844 might have had the right of issue if they liked, and that all banks established since that date have been established with the knowledge that the right was not likely to be granted, and that they could not acquire it?—Quite so.

8086. With regard to a question which was asked on Monday of the Directors of the Bank of England, in reference to the pressure of banks of issue in time of panic upon the Bank of England, in your opinion is there any appreciable difference in the amount of money which the banks of issue draw from London in consequence of their being banks of issue; is it not taken that the amounts drawn are drawn equally by all country banks in order to protect their deposits and their general liabilities?—I should say that it was only one of their liabilities; I do not think that they draw more money as against their note issue than they do as against the deposit liabilities.

8087. I see that in the last answer in the evidence of Monday last three banks are named as having caused a special pressure upon the Bank of England in the panic of 1857; were any of those three banks banks of issue?—I believe not; certainly the two former were not, and I apprehend that the last was not.

8088. With regard to banks giving security, there would be some difficulty in arranging an equitable mode of giving security for their notes, would there not, inasmuch as, in addition to giving a large amount of security for the authorised circulation, those banks would have virtually to keep a large amount of cash in order to make those notes convertible at any time?—It would, no doubt, very considerably diminish the advantage of issue.

8089. With regard to a single issue, either by the State or through a bank, would not some difficulty arise with regard to the convenient exchange of notes for gold; for instance, in places where there were no branches or no arrangements for the cashing the State issue of notes, would not difficulty arise in exchanging those notes in order to obtain the smaller coin for wages?—No doubt bankers would charge for changing either the State note or the note of a single bank.

8090. Whereas at the present time the convenience of the local issue is that parties may accumulate a certatn amount of notes, and they get gold as a matter of right at the issuing bank in order to pay their wages?—Yes.

8091. Do you think that the reserves in the country have generally increased in proportion to the liabilities on demand, which have increased enormously in the last 30 or 40 years?—I am afraid that the tendency of the country is increasingly to trade on a smaller and smaller reserve.

8092. In your opinion is one cause of the variation in the rates of interest the fact that the money is more closely employed than it used formerly to be?—Yes; the delicacy of the money market, as I should express it, is consequent upon the small amount unemployed.

8093. I gather from your answer that the tendency of recent years has been to allow a rather higher rate of interest on money at short notice, and a call, than is desirable?—I think that it is very questionable whether too much is not given.

8094. With regard to the answer of one of the directors of the Bank of England, that the State

Mr. *Bagehot.*

22 July 1875.

Mr. *Backhouse*—continued.

has the right of making paper money as well as metallic money; has that view been the view ordinarily held by persons of authority on these matters?—It is not the notion of the English common law. Undoubtedly, at common law any one may issue a promissory note payable on demand, and pass it as he likes.

8095. Previously to the Act of 1844, I take it that it was a common law right that any one could issue a promissory note on demand without any restriction?—Quite so.

8096. With regard to 1*l.* notes, to which, I think, you said you had no objection, I presume that you would consider it necessary that a certain proportion of any issue of 1*l.* notes should be based upon gold as well as upon securities?—I have some doubt whether, with the system of subsidiary issue, securities would not be sufficient. I am not speaking of the legal tender of the country, as to which very large amounts of gold must be kept, but with respect to subsidiary issues; as they are payable for gold by the banker on demand, and as your only object is to secure that there shall be no very great variation between them and the coin, I am not prepared to say that it would be absolutely necessary to hold gold against.

8097. You would draw a decided distinction between the main issue and the subsidiary issue?—Between anything which is legal tender of a country and that which is not legal tender.

Mr. *Goschen.*

8098. You would, of course, not make any notes legal tender except the notes of the Bank of England?—Certainly not; none of the subsidiary issues which I have mentioned.

8099. With regard to the reserves, have you ever seen any system suggested which commended itself to your mind in lieu of the present system of the Bank of England practically holding the reserves of the bankers?—Not under our present circumstances, which I am sorry to say that I am afraid we cannot change. If we were starting *de novo*, I should like to see a large number of banks each holding its own reserve. I think such a system would be preferable, but I do not see how you could go back to it.

8100. It is an economy to bankers, is it not, to hold their reserves in the Bank of England?—It is an economy, no doubt.

8101. If the reserves were held separately by each bank, would not the aggregate amount of the reserves be probably larger than if they were held by one bank?—Considerably larger.

8102. And the difference is a loss to the public in case of a panic, but a gain to the bankers as a perpetual mean of economy?—Yes. The question is whether we are not trading on too small an amount of reserve, and whether it is not a dangerous economy.

8103. But it is a danger which it would be excessively difficult to remedy by Parliamentary action, is it not?—I should say that it would be absolutely impossible.

8104. Therefore, while attention is continually called to this fact, so far as you have watched any schemes which have been suggested for removing it, you would think that it would be almost impossible to deal with it by legislation?—It would be absolutely impossible to deal with it by legislation.

8105. In the same way as the banks are trading

Mr. *Goschen*—continued.

with less reserve than is desirable, is it your opinion that the trading public is also trading with less reserve than is desirable?—That is a very large question. I am much afraid that all through England we trade on too small an amount of cash reserve.

1806. Has it come to your knowledge, that in the City generally there are now fewer private firms who receive bills on discount, in the same way as bankers and bill-brokers, than there used to be in former times?—Yes, I should think that that class was diminishing now.

8107. And now those who wish to discount bills are thrown exclusively on banks and professional discount houses, are they not?—Almost entirely. I should say that the old class of firms of that kind are dying out.

8108. Do you believe that there is more investment in securities of the balances of various firms, and that that has anything to do with the less amount of money available for loans on bills?—I have no means of answering that question further than conjecture; but looking to some recent events, I fear that the danger is not investment, but speculation on the Stock Exchange.

8019. You think that the money that would formerly have been kept aside for the purposes of trade has been used to a certain extent in speculations on the Stock Exchange?—I fear so. It has been so in certain cases. I fear that there is a dangerous idea in the public mind at present that money ought not to be idle for a single moment; and in certain cases it goes to the Stock Exchange, where it is often lost.

8110. That again, though it may be regretted, is a matter with which it is impossible to deal by legislation, is it not?—Absolutely impossible.

8111. So that while public attention is turned to this question of the reserves, it may be usefully turned to the point of the difficulty, and indeed the absolute impossibility, of finding remedies for it by any action of Parliament?—Certainly no remedies can be found for it by any action of Parliament. The only good which could be done in any way is by the recognition of the present state of things. The danger which I fear we are running is that no one knows exactly what our present system is. I think that formerly it was not generally known, for example, at the West End, though people are beginning now to understand it, that the Bank of England was a very different bank from the London and Westminster Bank in this respect, that it held an enormous deal more actual cash (by cash I mean bank notes and coin); and that those bank notes were held upon some kind of condition that they would lend them in the time of panic.

8112. Would the general feeling be properly described in this way: that now, less than at almost any previous period, individuals of the public think it necessary to hold reserves, while at the same time they think they ought to have an unlimited amount of capital supplied to them, when they want it, upon their bills and securities?—I should not accept those words; I should rather put it in this way: that the present doctrine is that the whole of the ultimate reserve is kept in the banking department of the Bank of England, and that the Bank of England must hold enough for everybody, or else it and everybody stops.

8113. But does not everybody consider that he is entitled to be able to borrow to an unlimited extent

extent, provided he has an unlimited amount of securities?—Yes; that the Bank of England lend out of the reserve on good security in time of panic. I should say that in my notion the banking reserve, whether it is held by many banks or by one, would be burdened with that liability (if I many use the expression), and that in time of panic you must lend freely out of it. That is one of the objects for which you keep it. The best mode of staying a panic is by lending. If people find that they cannot get their bills discounted, and that they cannot get money upon their securities, then the panic increases. It is only by very large and bold action on the part of the persons who possess the reserve that you can stop a panic; and whether the reserve is kept by many banks or by one, that would still be the duty of the holders of the reserve.

8114. Provided that the bold action does not exceed, the means at the disposal of those who exercise it?—They are bound to have the means; they get nothing by timid action, because in that case they will certainly themselves fail.

8115. You see no legislative remedy for the present state of things?—No legislative remedy whatever.

8116. And at the same time you look upon it as most grave, and somewhat alarming?—Yes, I look upon it as a ground for anxiety ("alarm" is a strong word) and for incessant watchfulness.

8117. You consider that the reserves are small, and that the situation, both in banking and commercial respects, is such that if there is a great strain upon those reserves they must be most boldly dealt with, or else diaaster will ensue?—Quite so.

8118. And that if, on the other hand, that boldness were a little excessive, disaster would also ensue?—When the panic has actually occurred, I think you must lend right and left; you have nothing else to do. The time for caution is in preventing a panic.

8119. Must other banks follow that policy as well as the Bank of England?—I should hold that an ordinary banker ought not to get rid of his customers at a time of panic; but I do not think that he can, under our system, do more than that. All the extra strain is, according to the very peculiar constitution of the money market, thrown upon the Bank of England.

8120. In moments of pressure of that kind, the demand for gold from any particular quarter heightens the pressure, does it?—No doubt.

8121. Have you read the evidence of the Deputy Governor of the Bank of England, and of Mr. Kirkman Hodgson, with regard to the pressure for gold put upon the Bank of England through the Scotch banks in 1847 and 1857?—I have had it in my hand, and I believe I am cognisant of the nature of it, but I should hardly like to say that I know the words of it.

8122. Is it within your knowledge, that panics have been heightened by a demand from Scotland for gold?—No doubt. I do not sufficiently remember the circumstances of the year 1857, though I know them generally; but it is a matter of notoriety that the panic of 1857 was heightened by the failure of the Western Bank of Scotland.

8123. In your judgment, does the Scotch system gain strength from the fact of the existence of the reserve of the Bank of England?—I should say that not only the present system of Scotland, but the whole system of Scotland from the beginning, is based upon the fact that England holds, and has held, the reserve for Scotland.

8124. The Scotch system is not then an entirely self-contained system, and it could not be maintained without the prospect of disaster, but for the fact that it rests to a certain extent upon the collateral system of England, which secures large reserves open to Scotland in time of panic?—It is essentially a provincial system, though it is, I have no doubt, an excellent system.

8125. Could the Scotch system be maintained, looking to the convertibility of the note, and the chances of panic, unless in times of panic there was the reserve in the Bank of England to meet that panic?—I should say that no part of our English or Scotch system could be maintained but for the reserve in the Bank of England. We all rest upon that.

8126. So that, while the Scotch have the full advantage of their provincial issues, as you call them, and of their monopoly of the notes, they have also the advantage of the English system, through the reserves that are kept in the Bank of England?—Yes; they must be looked upon, I think (I do not like to say as provinces, but) as part of the same system, all resting on the one reserve of the Bank of England; and the same remark applies to Ireland.

8127. What was the point in the Scotch monopoly which was so incomprehensible to your foreign friends to whom you endeavoured to describe it?—The incomprehensible point in the Scotch law was the purpose for which the gold goes to Scotland; they could have quite understood your not sending it down, or that it should be made a security for the notes being ear-marked for the notes when it got there; but they could not undertsand that it should go down, as they would say, for nothing.

8128. Do you see any advantage in that part of the system which requires gold to be held against the over-issues, without that gold being specially ear-marked against those issues?—I do not myself see any advantage in it; but, as you are aware, the theory of the currency on which Sir Robert Peel based his legislation requires that it should be so. I do not myself hold that theory.

8129. Is it not delusive to a certain extent?—I should say that it is a perfect absurdity to take it down there and not to ear-mark it.

8130. Have you any doubt upon the point that banking is a practical monopoly in Scotland?—I have no doubt about it; the evidence given before this Committee must give the Members of it much larger information upon that point than I can possess; but certainly it appears to me to be so.

8131. As a political economist, do you approve of a monopoly?—Certainly not. If you were starting *de novo*, of course, all monopolies are bad.

8132. With regard to some questions that were asked you upon a point of political economy; is it in accordance with your views of political economy that free trade would consist with allowing privileged monopolists to contend, under the same system of law, with others who have no monopoly?—If you are starting *de novo*, of course, all producers ought to start fair, and on equal terms. The only question is, how far, when systems have grown up, you will interfere with them at the risk of doing harm.

 8133. With

Mr. *Bagehot.*

22 July 1875.

Mr. *Goschen*—continued.

8133. With regard to the extent of the monopoly in Scotland, would or would not that monopoly become more valuable if the Scotch banks were allowed to extend themselves to England?—It would undoubtedly become more valuable, I should suppose.

8134. Would not the denial of the privilege of coming to England, to a certain extent, lessen the value of that monopoly?—Undoubtedly.

8135. And therefore if the State had ever to deal with this monopoly, and to consider what was its value, that value would be greater or less according as the privileges of coming over the Border existed, or did not exist, would it not?—Undoubtedly.

Mr. *Hubbard.*

8136. Did I correctly understand you to say that a provincial bank having a right of issue, was able to afford banking accommodation to the district with which it dealt upon more favourable terms than if it had not the power of issue?—I did not use the word "accommodation"; I meant to say that it was able to do a greater variety of small business, for the sake of requiring the circulation of the district; the cashed cheques, for example, which it would not be worth while to do otherwise.

8137. The profits of a bank must be made by the investment of the deposits that it holds or by the lending of money; do you think that an issuing bank lends money at more indulgent rates than a non-issuing bank?—I do not.

8138. An issuing bank would get as much as it could for whatever it lent, I imagine?—Yes.

8139. And it considers that if it lends on its own notes it still lends that which is of the full value of the ordinary currency of the country?—Yes.

8140. It would not, therefore, lend upon more favourable terms than a non-issuing bank?—No.

8141. Then in what would consist the advantage that the district would derive from the bank being an issuing bank?—It would do a variety of small business for the sake of acquiring the circulation of the county, which it would not do otherwise. For example, as stated in the particular case of Somersetshire, if a person selling the produce of the county gets a cheque on a distant bank, that cheque would be cashed across the counter in our own notes free of charge. That is not a loan, you will observe; that is an exchange, and all that class of business is done now to an extent in detail; which you must stand at the bank counter to understand. A large number of transactions in a day of a petty description are done cheaper than they would be if we had to find Bank of England notes for them, and they are done with a view of obtaining the currency of the district. We establish agencies, as I have already stated, to make those exchanges, so as to get out our notes.

8142. I quite understand that previously to the year 1844 it must have been an object with any bank having a power of issue to secure the circulation of a particular district, because whatever was the amount of notes that it had in circulation, that was an amount of capital which cost them nothing, and upon which they received interest; but does that same motive exist now that the currency is limited?—To the extent of our circulation, of course it is very advisable to keep it. We have never been able for many years in Somersetshire to keep out our circulation. Our deposits have grown and multiplied, but our circulation diminishes, and that is because so many more people keep accounts than used to do. But still so far as that goes, our circulation has been an advantage to us.

Mr. *Hubbard*—continued.

8143. But your circulation is of advantage in the light of being, in fact, a part of your capital?—Yes, it is so much more means of making profit.

Sir *John Lubbock.*

8144. The honourable Member for Bodmin has called your attention to the case of sugar; I believe that the drawback allowed by certain foreign countries, and especially by France, to the sugar refiners of that country, involves a considerable charge to the taxpayers of those countries, does it not?—Yes, certainly.

8145. In fact, we get our sugar cheaper at the expense of the French taxpayer, do we not?—Yes.

8146. But it would never be proposed, I presume, by any free trader that we should tax the English in order that one set of sugar refiners should obtain an advantage over another set of sugar refiners?—I should think not.

8147. The material difference in the present case is this, is it not; that the law gives an advantage to one set of bankers over another set of bankers?—Yes.

8148. You have stated, have you not, that the north country banks are those which at present would be the principal sufferers by competition with the Scotch banks?—Yes; I should have said that they are the only persons likely to suffer. In the south of England it would be, I think, quite chimerical to imagine that the Scotch banks would never make any impression.

8149. You do not think that in the event of branches of the Scotch banks being spread over England, they would affect the banks in other parts of England, as they are likely to affect the banks in the north?—I do not think that within any period which need be contemplated for practical purposes it would occur.

8150. You do not think that they are likely to establish themselves in the south-west for a considerable time?—I feel sure that in the lifetime of anybody now living they would not be sufficiently known there to obtain credit.

8151. I think you have stated that it is your opinion that the legislative privileges enjoyed by Scotch banks give them practically a monopoly of banking in Scotland?—That certainly appears to me to be the result of all the evidence.

8152. And I suppose, looking at it from a public point of view, the extension of a monopoly has never been found to be a good thing for the public, has it?—Of course the value of their monopoly would be extended by their coming into England.

8153. But in the long run the public is never benefited by the extension of monopoly, is it?—I am not prepared to say that England will not be benefited by the sugar refining of France; but the world will not be benefited. I should say that it is very possible that the consumer may be benefited by a monopoly.

8154. The consumer in one country may be benefited by a monopoly granted by another country; but the consumer could never be benefited

Sir *John Lubbock*—continued.

fited by a monopoly granted by his own Legislature and in his own country, could he?—I do not know that a whole country might not be benefited, though some producers might suffer.

8155. Without going so far as to say that under no possible circumstances could the extension of monopoly be a good thing for the public, you would consider that a strong case ought to be made out for it, and that the cases would be very rare in which it would be of the least benefit?—If an application was made to Parliament in the present day for an extension of a monopoly, I apprehend that there would be great difficulty in getting it sanctioned.

8156. You have been asked whether it is not fair that the Scotch banks should be allowed to come to England; is it for the advantage of the public that any eleven banks should be given a monopoly of Scotch banking?—I certainly think not.

8157. And therefore if English banks are excluded from Scotland, would it not be just that Scotch banks should in the same way be excluded from England?—The magnitude of the inconvenience which would accrue is what I should look at practically, I think. The question is whether this monopoly is really so great as to justify the interference of Parliament. The whole banking system is full of all manner of inequalities, and it is a question for Parliament and for this Committee to decide whether this is so great an inequality as to justify its removal.

8158. You are aware that the north country and London bankers have based their complaint against the Scotch banks, not only on general grounds, but also on the commissions which the legislative privileges of the Scotch banks enable them to charge to the English banks?—I have heard so.

8159. For instance, we have it in evidence that one Newcastle bank has to collect in the course of the year between 700,000 *l.* and 800,000 *l.* of cheques and bills payable in Scotland; if they are subjected to a charge of 2 per cent., which is the charge mentioned in the Scotch table of charges which has been put in, it places them distinctly at a disadvantage, does it not, in comparison with a Scotch bank which, of course, can collect all its drafts and bills free of any charge?—I should think that it would be difficult to induce Parliament to go into a question of banking commissions, and to ground legislation upon anything so fine as that. I should have rather thought that the general evidence that must be looked at as a whole, and the question investigated, was, whether the magnitude of those banks is not too great for the Cumberland bankers to contend with, and whether it has not been fostered by Parliament. I do not say that it is so, but that appears to me to be the question, and not any particular question of commission, as to which I should think anybody but the parties engaged would have difficulty in judging.

8160. It may be difficult to induce Parliament to look into a question of commissions, but still the English bank in such a case is placed at a distinct disadvantage in comparison with the branch of a Scotch bank, is it not?—No doubt there is disadvantage in detail.

8161. There is no doubt in your mind as to the disadvantage, but the doubt you feel is whether Parliament could be induced to look into it?—I have no doubt of the disadvantage, but

Sir *John Lubbock*—continued.

the question is whether it is of any magnitude as respects the commission. As respects the general question, it is for Parliament to judge whether there is such an importance in the inequality as to warrant Parliamentary interference.

8162. Of course the banks in the north, who have had practical experience of this matter, are best able to judge of the extent of the disadvantage at which they are placed, are they not?—Of course; but it is for Parliament to say whether they are unreasonably frightened or not; it appears to me individually that bankers on the Border have a strong case.

8163. In answer to the Chancellor of the Exchequer, you used the expression "raised us to the Scotch level;" I presume that by that expression you meant giving the English banks privileges equivalent to the privileges enjoyed by the Scotch banks, did you not?—Yes.

8164. The privileges enjoyed by the English issuing banks are very much less, are they not, than those enjoyed by the Scotch issuing banks?—Yes, they have produced an altogether different effect. It has been stated before the Committee that the number of banks in Scotland has diminished, and that no bank of non-issue can practically do much business there; whereas in England, banks of non-issue are multiplying, and the issue is diffused among a great number of persons.

8165. I think I understood you to say, that speaking from your experience, you do not consider that there is any special pressure upon banks of issue in panics?—Not on account of the issue. That is only one of the liabilities which a banker takes account of. In such a time as 1866, when Overend, Gurney & Company failed, I think almost as much money would have gone down to the county if there had been no provincial issues. When people are in a bewildered state of mind, they take down a great deal without any very nice calculations.

8166. The pressure is not more in proportion upon the issue than it is upon the deposits, is it?—No.

8167. You do not consider, do you, that the panics of either 1847, 1857, or 1866, had any special reference to the English country bank issues?—Not in the least. There is one case in which I do think that the English country bank issues may be prejudicial in a panic. The Act of 1844 will not allow of the sale of private issues; if a private bank parts with its issue it loses its circulation. I am afraid that that has the effect of keeping up a certain number of private banks which would otherwise have ceased to exist, and those may perhaps fail in a time of panic.

8168. The balances of London bankers constitute, do they not, a very large proportion of the Bank of England usual reserve?—Yes.

8169. And upon those balances of course no interest is allowed by the Bank of England to the London bankers?—No.

8170. I think that I gathered from the general tenor of your evidence with reference to panics, that you thought that the proper course for the Bank of England to adopt in times of difficulty was to raise the rate of interest betimes to such an extent as to attract money from abroad, but not suddenly to refuse the discount of good bills?—I think that the Bank of England ought to extend its discounts at the time of panic as hold-

Mr. *Bagehot.*

22 July 1875.

Sir *John Lubbock*—continued.

ing the ultimate reserve of the country; that whoever holds the ultimate reserve, whether it is in many banks or in one, must be prepared in times of extremity to lend freely. This is the only mode by which a panic can be allayed. Any restriction of accommodation at that moment only increases the panic and augments the amount of loans in advance which have to be given afterwards.

8171. But you would agree, would you not, that in times of difficulty it is necessary, while exercising every possible liberality in the way of discounts, to raise the rate to such an amount as would attract money from abroad?—Quite so. I think the higher the rate in reason at which the accommodation is given the better.

8172. You would raise the rate, but you would not refuse the accommodation?—I would raise the rate, but I would not refuse the accommodation.

8173. With regard to the gold held by Scotch banks, it is not only not ear-marked, but is it not the case that it need only be held for a single day, while the issue goes on permanently, and is not that a material point?—Yes.

8174. You said, I think, that the only case in which an inequality ought to be allowed, was where a system involving such an inequality has gradually grown up, and that in such a case you thought that it was questionable whether it ought to be interfered with?—I mean, where it can be shown to be doing good and not to be doing any harm. I think it is always a question for Parliament to see whether good is being done or not.

8175. That no harm should be done, and that the system should have grown up gradually?—Yes.

8176. That exception, therefore, would not apply to the establishment of Scotch banks in England, would it?—No.

8177. Do you consider that the entire severance of note issue from banking business would be an economical or a costly expedient?—It would be a very costly expedient, no doubt, because if you were to have any real means of paying the notes and you did not make use of the banks, you must have special agencies or paying offices all over the country for the purpose.

8178. It would be more costly in proportion in the remoter provinces than in the central districts, would it not?—Quite so, because you would have to extend all over the remoter provinces those paying offices.

8179. In your point of view, are local notes an advantage not only to the bank which issues them, but also to the public?—I think that the poorer part of the public would suffer very much if the local issues were abolished.

8180. And you argue that although the loss to the bank might be compensated for by a money payment, still that compensation to the bank would not in any way mitigate the loss and inconvenience to the public?—Yes, unless some arrangement were made, and it would be very difficult to make any arrangement that the present convenience to the public should continue.

8181. In addition to the notes which are issued being of advantage to the public, they are extremely valuable to the banker as serving as till-money, are they not?—Yes, that is one of their greatest advantages.

Sir *John Lubbock*—continued.

8182. A banker may keep in his till a proportion of his reserve, and no doubt very often does so; but, independently of any question of reserve, a certain amount of till-money is necessary, is it not, as a sort of stock-in-trade, and it is not really a reserve which could be in any way used in time of pressure?—Yes, it is not to be looked upon as part of the reserve at all; it is like your desks.

8183. Of course, if that till-money can be kept by the bank in its own notes, there is great economy to the bank, is there not?—Undoubtedly.

8184. And, of course, the competition which exists between the banks would necessarily result in a considerable proportion of the advantage which has in the first instance accrued to the bank by the use of its own notes as till-money, being gradually, by competition, extended to the customers; the bank being able to use its own notes as till-money, of course, is forced, by competition, to give a portion of the advantage to its customers, is it not?—There may be a tendency in that direction; but I could not say from experience that it is so. I think that is rather pushing the abstract doctrines of political economy further than they would be found to operate in business. Of course, in theoretical political economy you reason that people will do everything for a sixteenth per cent., but in practical life it is not true.

8185. If we had one single national note issue, might there not be some danger that in times of difficulty the Chancellor of the Exchequer would be very strongly pressed to increase the amount issued beyond what would be altogether safe, or (which is the same thing) to reduce the amount of gold held against it?—Quite so. I think that in time of panic if a State issue was the sole legal tender, there might be extreme and very dangerous pressure on the Government to lend money to persons to whom it ought not to be lent.

8186. In times in which, owing to a bad harvest, or to any other cause, the Exchequer was running low, there would always be a pressure, would there not, to diminish the amount of gold held in reserve against the notes, which might be carried to a dangerous extent?—One might hope that the public might have sufficient strength of principle not to deal with it. Of course there is that danger, but I should hope that that might be obviated. I should rather fear an extreme pressure on the Government, in a time of panic, to lend notes. At present the loans are made by the Bank of England in time of panic, and the Bank of England knows how to manage because it is a trader in the market; but if the Government once began to lend I do not know whether it would have the same discretion. I am quite sure that it would never be thought to be equally impartial, because the Prime Minister or the Chancellor of the Exchequer might be Member for a great commercial community, for London or Liverpool, and the public would never believe that his constituents did not get a benefit. For those reasons, under a Parliamentary Government like ours, I think a State issue would be exceedingly dangerous.

8187. In answer to the honourable Member for Glasgow, with reference to the effect of the clearing house, you stated that the effect of it was to enable the London bankers to hold less till-money

Sir *John Lubbock*—continued.

till-money in proportion; I suppose by that you mean in proportion to their transactions?—Yes; to carry on their business with a less amount of cash.

8188. But that would affect their transactions rather than their deposits; the smaller proportion of till-money which would be required would be in proportion to the amount of their transactions, would it not?—To the amount of their transactions.

8189. I believe that the Scotch banks have clearing houses also at Aberdeen, Dundee, Glasgow, Leith, and Edinburgh, have they not?—I understand so.

8190. You have spoken of the Bank of England reserve as being the ultimate reserve of the country; but, of course, there is a very large sum which is held by the different bankers in London and throughout the country, which also constitutes a portion of the banking reserve, is there not?—Of course the reserve of other bankers is kept at the Bank of England, and then the Bank of England lends a portion of it; but the only unused cash is notes in the banking department; that is the only ultimate reserve in mere cash. The rest, which other bankers hold, is, in the main, till-money, I should say, and not to be reckoned as reserve, either in town or country.

8191. I have always understood that both the London and the country bankers hold in their own houses a much larger amount than would be required as till-money. I presume that, upon that point, you are speaking rather from general impression than from any absolute information upon the subject?—My own impression is that people do not hold much more than, taking a large view of till-money, was absolutely required for their business.

8192. In that, you are expressing what is your impression, are you not?—I have, of course, no absolute knowledge of the condition of the bankers in the country, generally.

8193. Or of the London bankers?—Or of the London bankers.

8194. I think that, in answer to a question put to you by the honourable Member for Hertford, you used the expression in reference to panics, and particularly with regard, I think, to one of the large joint stock banks, that they re-discounted bills. Is not what happens rather this: that the London bankers lend to the bill brokers, and on the Stock Exchange, very large sums of money, and mostly from day to day, upon the deposit of bills of exchange and securities (principally consols and Government securities); and that in times of pressure they call in those loans; that then the stockbrokers and bill brokers, in order to repay the bankers, take the securities to the Bank of England and obtain, or endeavour to obtain, advances upon them?—Yes, that was what I meant to express; I did not know that I had used the word "re-discount"; If I did so it was used inadvertently. The instance which I cited was that which the London and Westminster Bank themselves gave when they did not call in any money from the brokers, but allowed the bills which they held from the brokers to become due; I said that those bills could only be paid by other bills being discounted, and those second bills which were necessary for that payment were discounted by the Bank of England.

8195. It is the fact, is it not, that even in the worst panics the London and country bankers continue to discount the regular trade bills of their regular customers; but that the sums which they call in are the amounts which they have lent out from day to day, in the manner which I have just described?—A banker is bound to discount for his regular customers, and no doubt bankers do so at all times, whether of pressure or not.

8196. The regular customers have no difficulty in getting their bills discounted either in times of pressure, or at other times?—No, else they would be ruined. The banker is under a tacit engagement, I think, to discount for his customers.

8197. And it is not only a tacit understanding, but it is the actual fact, is it not?—No doubt.

Mr. *Anderson.*

8198. In your answer to the honourable Member for Maidstone, did you mean that it would be impossible to put a State issue under such control that the Chancellor of the Exchequer, or another Member of the Government, could not use it improperly?—"Impossible" is a strong word; but I say that under Parliamentary Government in time of panic it would be a very dangerous machinery; I am fearful that it might be used for making improper loans, and I am still more fearful that it would be thought to be used for making such loans even when it was not so used.

8199. But could not Parliament put it out of the power of the Government to do that?—Then Parliament must put it into the power of somebody else.

8200. Might not the power be vested in trustees, for instance?—Who are the trustees to be? The trustees must be nominated by somebody.

8201. They need not be members of the Government, I suppose?—They may be nominally independent Commissioners.

8202. Might they not be entirely independent, subject only to Acts of Parliament, so that there could be no control over them except by an Act of Parliament specially passed?—It would be possible to make them theoretically independent, but I very much question whether they would be practically independent, and I still more doubt whether they would be thought by the public to be independent, whether they would have the confidence of the public, and whether the public would not believe that persons of high interest obtained loans for their friends in times of panic, which persons who were not so befriended did not obtain.

8203. But would giving Commissioners control over a State issue necessarily involve giving them power to make loans to anybody?—I say that in a panic there would be a fearful rush upon the Government to make loans; I believe that there is an extremity of panic in which more notes must be issued; the orthodox doctrine laid down by Ricardo is that there is a period of panic at which the restrictions upon the issue of legal tender must be removed; supposing that to be so, and that you put the legal tender absolutely into the hands of the Government, I fear that loans would be made to improper persons, and I still more fear that it would be thought that they were made to improper persons.

8204. Would that pressure be stronger upon Parliamentary Commissioners than it would upon Directors of the Bank of England?—The Directors of the Bank of England know how to manage it, and the world have confidence in them

Mr. *Bagehot.*

22 July 1875.

Mr. *Anderson*—continued.

them because they conduct the management as part of their general business.

8205. You think that Parliamentary Commissioners would not know how to manage it?—They would not know how to manage it, and they would be subject to all manner of political pressure, whereas the Bank of England is a body withdrawn from the political world, and not subject to political pressure.

8206. Then you would not be in favour of taking away the issue department from the Bank of England or making it more distinct than it is at present?—In my judgment it would be a very dangerous thing to do, for the political reason that in time of panic it would never be thought that any lending power in the Government would be well exercised.

8207. You look upon the Bank of England as the holder of the ultimate reserve, and you say that it is bound to lend money very largely in time of panic; how do you propose to give it means to do that?—It ought to hold such a reserve as will enable it to do so, subject of course to what I was also saying, viz., that there is a period of panic at which any restrictions upon the issue of legal tender must for a moment be broken, and in which any Issue Department which you may have must probably have to make advances in some irregular manner.

8208. Then you admit that there is a time of panic when, whether there are Parliamentary Commissioners or Directors of the Bank of England, they must go against the law?—If you limit the issuing department in any way, you will probably have to break that limitation somehow or other at a certain time.

8209. Have you any suggestion to make as to the orthodox manner of breaking that limitation so that it should not be a breaking of the law?—It might of course be put in the discretion of certain persons, as was proposed in the last Parliament. And theoretically, that might be better; but it comes very much to the same thing in my judgment; it is economically the same thing, at any rate.

8210. You showed that the whole banking system of the country hangs upon the Bank of England, and therefore upon the Bank of England reserve; would it not be desirable that the public should have a little more information as to what that reserve really consists of?—I should have thought that we knew now the amount of notes in the till and the coin.

8211. Do you know what part of it consists of bankers' balances?—By the reserve I mean the notes and coin; that is what I call the reserve of the Bank of England. The deposits are its liabilities.

8212. The difference between liabilities and assets?—I do not call that the reserve. I call the reserve the actual amount of cash held.

8213. Do you see any objection to stating what are the balances held by the Bank of England for country bankers?—I see no objection or the reverse. I do not think that it would be any material advantage.

8214. Is it not the fact that at certain times it has been quite well known that certain banks have such large deposits with the Bank of England, that at any time they could swamp the whole reserve by drawing those reserves out?—I cannot speak of any particular banks, but the returns which have been presented to Parliament show

Mr. *Anderson*—continued.

that the aggregate of bankers' balances has often been more than the reserve.

8215. And therefore, that those bankers by withdrawing their balances, could have exhausted the reserve of the Bank of England?—Undoubtedly they could have done so, if they had so chosen.

8216. Does not that give a very improper or dangerous power to bankers over the Bank of England?—I am not afraid that the bankers would ever ruin the Bank of England, because they all depend upon the Bank of England.

8217. Did they never threaten to do so?—Not within my recollection. I have never known of any such threat. In former times, I think Overend's house suddenly drew out 3,000,000*l.* but they had to put it back again.

8218. Have you ever heard that certain banks made a threat that they would take out the whole of the reserve of the Bank of England if the Government did not break the law?—I have heard a good deal of conversation about such things, but I cannot say that anything of that kind is within my knowledge.

8219. Such being the case, would it not be an advantage to the public to know what was the amount of bankers' reserves which could be so easily drawn out?—I see no harm in stating it but I think that the bankers are the less likely than anybody to draw out their balances.

8220. Therefore you think that the fact of the bankers' reserves being held at the Bank of England is not an element of danger at all?—I think that they are the deposits which are the least likely to be taken from the bank. As I explained before, I do not think that depending upon a single reserve is at all what a sound political economist would have wished to establish; but still there it is, and we must make the best of it.

Mr. *Orr Ewing.*

8221. You seemed to assent to a question put to you by the honourable Member for Maidstone which assumed that banks in England were excluded from going into Scotland; they are not excluded by law, are they?—Certainly not.

8222. Then how are they excluded?—Of course, I meant that the English banks could not go to Scotland with the same privileges which the Scotch banks have.

8223. But can the banks in Scotland come to England with the same advantages that the banks in England have?—No; but they have considerably greater advantages of their own.

8224. Have they considerably greater advantages than banks of issue in England?—Yes, I should say so.

8225. In what way?—They can extend their issues upon gold, and that I consider to be a great advantage when there is a 1*l.* note issue, which constitutes the whole money of the country.

8226. Would you like to have that privilege of extending issues upon gold conferred upon the provincial banks of England?—With a 5*l.* note circulation I do not think that it would be of any great importance, but with a 1*l.* note circulation it would be of great importance. It must be taken in connection with this; that no unsecured 1*l.* note circulation would be of any value in England.

8227. You are not in favour of a 1*l.* note circulation,

Mr. *Orr Ewing*—continued.

circulation, are you?—If it was secured I see no disadvantage in it.

8228. Are you in favour of it?—As a theoretical political economist I see no objection to it, but I am not in favour of its practical introduction at this moment. The two things must be kept carefully distinct.

8229. Is it not the case that banks in England that have not the privilege of issue compete successfully with banks of issue, and pay the highest dividends in England?—Banks which are not banks of issue are very prosperous indeed; I forget the exact figures.

8230. Then what did you mean when you spoke of a monopoly which exists in Scotland, as to Scotch bankers which prevents banks without the privilege of issue succeeding in Scotland?—I only appeal to history. No bank goes to Scotland and sits down there without issuing notes; and the number of banks in Scotland is much less than it was 30 years ago. In that way (I do not know whether you call it a monopoly or not) a very small number of banks command the country.

8231. The principle in Scotland is to have very few principal banks and a very large number of branches; do you think that that is a system which is more conducive to the safety of the banking arrangements of a nation than to have a very great number of small banks with few branches?—I should say that it must be determined by circumstances, and before trial I do not think that any absolute rule could be laid down. I am inclined to think that banks may be too large, and that they may be too small.

8232. Do you know any banks that are too large?—I should not like to name any individual banks, but the events which have been occurring in the money market during the last week have made many people discuss whether such may not be the case.

8233. You think that a bank may be so large that the directors and managers cannot properly manage it?—It is very possible. I have no doubt that you would arrive in time at a point of extension when that was the case.

8234. Are you aware that in Ireland, where a greater privilege exists as to the power of issue, the non-issuing banks, of which three have been established since 1845, succeed very well?—I am not very minutely conversant with Irish banking, but I know generally that that is the case.

8235. Assuming that that is the case (as it is), can you account to the Committee for the fact that in England and in Ireland banks without the privilege of issue can successfully compete with banks that have the privilege of issue, and that such is not the case in Scotland?—I should not like to deal with the case of Ireland, because I am not conversant with it; but in the case of England I should say that the advantages are so much less that the cases are hardly parallel.

8236. But in Ireland the circumstances are exactly the same?—I am not accurately conversant with the state of Irish banking.

8237. You know the Act of 1845 as to Ireland, do you not?—I am aware that the law is the same, but I cannot speak to the peculiar circumstances of Ireland, as I am not acquainted with them.

Mr. *Orr Ewing*—continued.

8238. Have you, in the course of your acquaintance with the manufacturers in this country, known any who have so conducted their business that they have practically obtained a monopoly of a particular trade?—I can imagine a case in which persons have practically a monopoly of a particular trade

8239. Do you know any case that you could mention at this moment of a practical monopoly of a trade in this country without having any privilege by law?—I do not at this moment remember any such case, but it is quite possible that there may be such cases.

8240. May it not be the case, that from the admirable and economical manner in which the banks in Scotland conduct their business, there is no room for any other bank to succeed there?—It is conceivable, but at the same time the presumption is rather the other way. If the law gives great privileges, and great results accrue, one would rather presume that those results are the effects of the law.

8241. But the same privileges exist, do they not, in another country, viz., Ireland, where non-issuing banks do succeed?—I cannot be responsible for any statement about Ireland. I am generally acquainted with the law of 1845, but I am not able to speak accurately as to Irish banking.

Mr. *Backhouse.*

8242. Is it not the fact that in England there is a legal tender currency both of coin and bank notes, whereas in Scotland there is no legal tender currency, and therefore any bank established in England without the privilege of issue is able to employ for all its monetary operations a legal tender currency, while if a new bank starts in Scotland it has no currency whatever with which to perform the usual functions of banking?—Sovereigns would be legal tender.

8243. But sovereigns are not in ordinary use in Scotland, and therefore, practically, the whole currency of the country consists of the notes of the Scotch banks, does it not?—No doubt that is a great advantage which they have.

8244. It is from that cause, is it not, that new banks cannot be established in Scotland, because they have no means of providing the ordinary currency which is used in the country?—Yes.

Sir *John Lubbock.*

8245. In fact, as regards the monopoly of the Scotch banks, is it not your opinion that the legislative advantages which they enjoy in the matter of issue practically prevent the establishment of new banks in Scotland?—That is what I understand and believe.

8246. Whereas, if the Scotch banks came to England, they would possess all the advantages which are enjoyed by the English non-issuing banks?—Certainly.

LIST OF APPENDIX.

Appendix, No. 1.

Paper handed in by the Chairman: PAGE.

Banking Acts.—Memorandum.—Preliminary - - - - - - - - - 432
Part I.—History of Banking in England - - - - - - - - - 432
Part II.—History of Banking in Scotland - - - - - - - - - 438
Part III.—General Conclusion - - - - - - - - - - - 439
Appendix 1.—Summary of Acts in Force relating to Banking in England - - 440
Appendix 2.—Memorandum as to Banking in Scotland, by Mr. James Simpson Fleming - - - - - - - - - - - - - - - 445
Average Amount of Bank Notes in Circulation, and of Coin held Four Weeks ending 21st March 1874 - - - - - - - - - - - 448

Appendix, No. 2.

Paper handed in by Mr. Tatham (in answer to Question, No. 646):

Copies of Opinions of Sir James Scarlett, Sir Edward B. Sugden, and Mr. Richards, on the Privilege of the Bank of England.—August 1833 - - - - - - 449

Appendix, No. 3.

Paper handed in by Mr. Davidson, 6 May 1875:

In answer to Question, 805:
Exchanges of Notes - - - - - - - - - - - - - - 453
Clearing Houses - - - - - - - - - - - - - - 453
North Country Bank Notes - - - - - - - - - - - - 453
Table of Interest, Discount, and Charges - - - - - - - - 453

In answer to Questions 813 and 836:
Position of the Scotch Banks as per last Annual Accounts - - - - - 455

In answer to Question 791:
Daily Note Circulation of Five of the Scotch Banks (after giving effect to Daily Exchanges) for the Four Weeks from Monday 29 March to Saturday 24 April 1875, inclusive - - - - - - - - - - - - - - - - 456
Daily Average Circulation of Five of the Scotch Banks for 24 days, to 24 April 1875; also, General Daily Average of the whole - - - - - - - - - - 457
Daily Note Circulation of Five of the Scotch Banks (before giving effect to Daily Exchanges) for the Four Weeks from Monday 29 March to Saturday 24 April 1875, inclusive - - - - - - - - - - - - - - - 458
Daily Average Circulation of Five of the Scotch Banks (before giving effect to the Daily Exchanges) for the 24 days to 24 April 1875; also, General Daily Average - - 459

Appendix, No. 4.

An Account of the Daily Note Circulation of the Banks of Issue in Scotland before giving effect to Daily Exchanges (also the Amount of Notes received at these Exchanges, and the Daily Note Circulation after giving effect to the Exchanges), for the Period from 29 March to 24 April 1875, inclusive.—Ordered by the Committee, 17 June 1875 - - 460

An Account of the Notes received by the Banks of Issue in Scotland at the Daily Exchanges in the Period from 29 March to 24 April 1875, inclusive.—Ordered by the Committee, 17 June 1875 - - - - - - - - - - - - - - - - 461

Appendix, No. 5.

Papers handed in by Mr. Gairdner, 6 May 1875 (in answer to Question 872):

London Joint Stock Banks.—Analysis of Balance Sheets for 1874, extracted from "Economist" Newspaper of 13 February 1875 - - - - - - - - 462

Appendix, No. 5—*continued.*

Papers handed in by Mr. Gairdner, &c.—*continued.* PAGE.

English Provincial Banks of Issue and Non-issue.—Analysis of most recently Published Balance Sheets.—April 1874 - - - - - - - - - - - - - 463

Scottish Banks.—Analysis of Balance Sheets published in 1874, contrasted with corresponding Results of London and English Provincial Banks - - - - - 464

Appendix, No. 6.

Paper handed in by Mr. Gairdner, 10 May 1875 (in answer to Question 919):

Contrasted Results of Banking in Scotland, London, and Provincial England, taken from the published Balance Sheets of the Banks - - - - - - - - 465

Estimate of Loss that would accrue to People of Scotland by adoption of English Margin of Banking Profit - - - - - - - - - - - - - - - 466

Estimate of Gain to People of Provincial England by adoption of Scottish Margin of Banking Profit - - - - - - - - - - - - - - - 466

Appendix, No. 7.

Paper handed in by Mr. Gairdner, 13 May 1875 (in answer to Question 1314):

Number of Deposit Customers in the Scotch Banks, classified according to the Amounts at their Credit in Scotland, 1874–75 - - - - - - - - - - 467

Per-centages of Deposits in Scotland - - - - - - - - - - 467

Appendix, No. 8.

Papers handed in by Mr. Fleming, 13 May 1875:

In answer to Question 1319:

Averages of Scotch Rates for Five Years 1870–1874 - - - - - - - 468

In answer to Question 1396:

Royal Bank of Scotland.—Banking Advances and Losses, 1865 till 1874, inclusive - 468

Appendix, No. 9.

Paper handed in by Mr. Wade, and referred to in his Evidence, 31 May 1875:

National Provincial Bank of England:

Statements relating to Liabilities:

No. 1.—Statement showing the Total Liabilities of the National Provincial Bank of England at 31 December 1874 - - - - - - - - 469

No. 2.—Statement showing the Amount of paid-up Capital at 31 December 1874 - - - - - - - - - - - - - - - 469

No. 3.—Statement showing the Amount of Reserve, and Profit and Loss Balance, at 31 December 1874 - - - - - - - - 469

No. 4.—Statement showing the Amount due on Deposits, &c., at 31 December 1874 - - - - - - - - - - - - - - - 469

No. 5.—Statement showing the Liability on Acceptances at 31 December 1874 469

No. 6.—Statement showing the Paid-up Capital and Reserve, including Profit and Loss Balance, at 31 December 1874 - - - - - 470

No. 7.—Statement showing the Amount of Paid-up Capital Reserve, including Profit and Loss Balance, and Deposits, at 31 December 1874 - 470

No. 8.—Statement showing the Liability on Deposits and Acceptances at 31 December 1874 - - - - - - - - - - - - - 470

Statements relating to Assets:

No. 9.—Statement showing the Total Assets of the National Provincial Bank of England, at 31 December 1874 - - - - - - - - 470

No. 10.—Statement showing the amount of Cash in hand at Bank of England and Branches, Call and Short Notice, at 31 December 1874 - - - 471

No. 11.—Statement showing the Amount of Government Securities at 30 December 1874 - - - - - - - - - - - - - 471

No. 12.—Statement showing the Amount of Indian Government and other Securities, Debentures, &c., at 31 December 1874 - - - - - - 471

No. 13.—Statement showing Amount of Bills Discounted, Loans, &c., at 31 December 1874 - - - - - - - - - - - - - 471

No. 14.—Statement showing the Amount of Freehold Premises, &c., in London and Country, and the Amount at Credit of Building Fund at 31 December 1874 - - - - - - - - - - - - - - 471

No. 15.—Statement showing, in one Amount, the Cash in hand at Bank of England and Branches, Call and Short Notice, Government Securities, Indian Government and other Securities, Debentures, &c., at 31 December 1874 - - - - - - - - - - - - - - - 471

Appendix, No. 9—*continued.*

Paper handed in by Mr. Wade, &c.—*continued.*

Statements relating to Profits and Working Expenses: PAGE.

No. 16.—Statement showing the Net Profits of the National Provincial Bank of England for the Year 1874 - - - - - - - - - - 472

No. 17.—Statement showing the Profits of the National Provincial Bank of England for the Year 1874, after deducting Interest at 4 per cent. on Paid-up Capital and Reserve - - - - - - - - - - 472

No. 18.—Statement showing the Working Expenses of the National Provincial Bank of England for the Year 1874 - - - - - - - 472

Returns of Gold, Silver, &c., and Return of the Cost of Maintaining Twenty of the Smallest Branches:

No. 19.—Return of Gold, Silver, and Bank of England Notes, &c., in Tills at Head Office and Branches of the National Provincial Bank of England at 31 December 1874 - - - - - - - - - - - 472

No. 20.—Return of Cash in Hand at Bank of England and Branches, Call and Short Notice, Government Securities, Indian Government, and other Securities, &c., at 31 December 1874 - - - - - - - - - 473

No. 21.—Return of the Cost of Maintaining Twenty of the smallest Branches of the National Provincial Bank of England for the Year 1874, and the average Cost of each Branch - - - - - - - - - - 473

Statements relating to Per-Centage, &c.:

No. 22.—Statement showing the Per-centage of Gold, Silver, Bank of England Notes, &c. (1,195,354 *l.* 2 *s.*), in Tills at Head Office and Branches of the National Provincial Bank of England, at 31 December 1874, to Deposits and to Deposits and Acceptances - - - - - - 473

No. 23.—Statement showing the Per-centage of Net Profits of the National Provincial Bank of England to Liabilities, at 31 December 1874 - - 473

No. 24.—Statement showing the Per-centage of Cash in Hand, &c., to Deposits, and to Deposits and Acceptances, at 31 December 1874 - - 474

No. 25.—Statement showing the Per-centage of Paid-up Capital and Reserve of the National Provincial Bank of England to Deposits, at 31 December 1874 - - - - - - - - - - - - 474

No. 26.—Statement showing the Per-centage of Working Expenses at Head Office and Branches of the National Provincial Bank of England for the Year 1874 - - - - - - - - - - - - - 474

No. 27.—Return showing the Number of Depositors and the Amount of Deposits, at 31 December 1874 - - - - - - - - - 474

Appendix, No. 10.

Paper handed in by Mr. Mills, 3 June 1875 (in answer to Question 2757):

Copy of Return sent to the Commissioners of Inland Revenue (Weekly) - - - 475

Appendix, No. 11.

Paper handed in by Mr. Du Bedat, 7 June 1875 (in answer to Question 3090):

Circular of 21 April 1871.—Charges to be made by Bank of Ireland and Branches, by Order of Board, on and after 1 May - - - - - - - - - - - 476

Appendix, No. 12.

Paper handed in by Mr. Du Bedat, 7 June 1875 (in answer to Question 3349):

Bank of Ireland Post Bills outstanding November 1845, 1850, 1855, 1860, 1865, 1870, and June 1875 - - - - - - - - - - - - - - 477

Return of the Average Issues of Banks in Ireland, as published, in each November from 1846 to 1874 - - - - - - - - - - - - - - 478

Appendix, No. 13.

Paper handed in by Mr. G. Readman, 10 June 1875 (in answer to Question 3624):

Case for the Clydesdale Banking Company - - - - - - - - - - 479

Opinion of Counsel - - - - - - - - - - - - - - 482

Appendix, No. 14.

Papers handed in by Mr. R. H. Inglis Palgrave (in answer to Question 5698):

Statement respecting the Note Circulation of Great Britain and Ireland, for the Years 1844 to 1874, by Robert Harry Inglis Palgrave - - - - - - - - 483

Appendix, No. 15.

Papers handed in by Mr. Palmer: PAGE.

1. In answer to Question 7578:
   Forgeries Presented at the Bank - - - - - - - - - - 550
2. In answer to Question 7739:
   Statement showing the Profit to the Bank of England arising out of the Issue Department for the Year 1875 - - - - - - - - - - 552
3. In answer to Question 7740 - - - - - - - - - - 552

Appendix, No. 16.

Paper handed in by Mr. Dun, 1 July 1875 (in answer to Question 6252):

View of Lapsed Issues.—Compiled from Bankers' Almanack for 1875 - - - - 553

Appendix, No. 17.

Return of the Total Amount of the Working Expenses of the Joint Stock Banks in England, Scotland, and Ireland, distinguishing between Rent or Interest on Money expended in Buildings and other Expenses, and omitting Interest on Capital and Reserves 554

English Joint Stock Banks of Issue - - - - - - - - - - 554
English Joint Stock Banks of Non-issue - - - - - - - - - - 555
Irish Joint Stock Banks of Issue - - - - - - - - - - 557
Irish Joint Stock Banks of Non-Issue - - - - - - - - - - 558
Scotch Joint Stock Banks of Issue - - - - - - - - - - 558

Appendix, No. 18.

Return supplied in answer to a Circular of the Chairman of the Select Committee on Banks of Issue, addressed to every Bank in England and Ireland, requesting Information as to the comparative working of the English, Scotch, and Irish System of Banking respectively, and the Amount of Accommodation which they afford to the Public - - - - 559

APPENDIX.

Appendix, No. 1.

PAPER handed in by the *Chairman*.

BANKING ACTS.—MEMORANDUM.

ARRANGEMENT OF MEMORANDUM.

Preliminary.

PAGE

Statement of Questions - - - - - - - - - - - - - - - - 432
Legality of Scotch Banks having Branches in England - - - - - - - - 432
Expediency of their having such Branches - - - - - - - - - - - - 432

PART I.

HISTORY OF BANKING IN ENGLAND.

Establishment of Bank of England.

Legal History of Banking is History of Monopoly of Bank of England - - - - - 432
Establishment of Bank of England, 1694 - - - - - - - - - - - - 432

Privileges of Bank of England.

No exclusive Privileges conferred by the Act of 1694 on Bank of England - - - - - 433
Enactment of 1697 absolutely prohibiting other Banks - - - - - - - - 433
Enactment of 1704 prohibiting Joint Stock Companies of any description doing Business as Banks - - - - - - - - - - - - - - - - - - 433
Bank at this Time and up to 1833 means Bank of Issue - - - - - - - - 433
Repetition of Enactments of 1697 and 1707 in continuing Act of 1800 - - - - - 434
Modification in 1826 of General Prohibition against Establishment of Joint Stock Banks of Issue 434
Enactment of Section 1 of Act of 1826, enabling Joint Stock Banks of Issue to be formed - - 434
Restriction of Section 1 of Act 1826, imposing the 65 Miles Limit and Unlimited Liability - - 435
Certain Banking Business allowed to Joint Stock Banks even with 65 Miles Limit - - - 435
Enactments of Sections 2 and 3 of Act of 1826, describing the nature of the Banking Business to be transacted by Joint Stock Banks within 65 Miles Limit - - - - - - - - 435
Continuing Act of 1833, repeating preceding Enactments, with certain Modifications as to Agencies of Joint Stock Banks - - - - - - - - - - - - - 436
The Third Section of the continuing Act of 1833, and enabling Section and explanatory of Meaning of the word "Banks" in early Enactments - - - - - - - - - 436
Account of Sir R. Peel's Act of 1844 and General Restrictions on Issue - - - - - 437
Restrictions on Value of Bank Notes issued in England - - - - - - - - - 437

Summary.

Effect of Prohibitory Enactments - - - - - - - - - - - - - 438

PART II.

HISTORY OF BANKING IN SCOTLAND.

Enumeration of Scotch Banks - - - - - - - - - - - - - - 438
Dates of Establishment of Scotch Banks - - - - - - - - - - - - 438
Law as to Issue of Notes in Scotland - - - - - - - - - - - - 438
Comparison of Privileges of English and Scotch Banks - - - - - - - - 438
Account of Act enabling Royal Bank of Scotland to have a Branch in London - - - - 439

PART III.

GENERAL CONCLUSION.

APPENDIX 1.

Summary of Acts in Force relating to Banking in England - - - - - - - - 440

APPENDIX 2.

Memorandum as to Banking in Scotland, by Mr. James Simpson Fleming - - - - - - 445
Average Amount of Bank Notes in Circulation, and of Coin held, Four Weeks ending 21st March 1874 - 448

Appendix, No. 1.

BANKING ACTS.

MEMORANDUM.

Preliminary.

Statement of questions.

A Scotch bank of issue, the Clydesdale Bank, having its head office in Glasgow, and branches in 76 other places in Scotland, has recently opened branches at Carlisle, Whitehaven, and Workington.

Some years ago certain other Scotch banks of issue opened branches in London,* and it is anticipated that their example will be followed by the remaining Scotch banks.

Legality of Scotch banks having branches in England.

The question in this case is, whether the above branches are legal, and this question subdivides itself into two parts; (1.) whether the branches in London are legal; (2.) whether the branches of the Clydesdale Bank at Carlisle, Whitehaven, and Workington are legal, as it will be found in the sequel that different considerations apply to London, and an area of 65 miles from London, from those which apply to the remainder of England.

Expediency of their having such branches.

Supposing the branches to be legal, the second question in this case is whether, having regard to the disabilities under which English country banks of issue labour, it is or is not just and expedient that the English banks of issue should be protected by legislation from the competition of Scotch banks of issue, either by prohibiting the Scotch banks of issue from establishing branches in England, or by depriving the Scotch banks of issue of the preferential advantages which they enjoy over the English banks.

A similar question arises with respect to the Irish banks, but it will be convenient to confine the present case to the case of the Scotch banks and English banks, as the same considerations which are applicable to the Scotch banks will apply in effect to the Irish banks.

To answer the foregoing questions it is essential to take a summary view of the law of banking in England and Scotland, so far as it affects the case under inquiry.

PART I.

History of Banking in England.

Establishment of Bank of England. †

Legal history of banking is history of monopoly of Bank of England.

The legal history of banking in England is in effect the history of the establishment of the Bank of England, of the creation of its monopoly, and of the gradual withdrawal by successive Acts of Parliament of certain items, so to speak, of that monopoly, leaving a residuum of restrictions on issuing bands still remaining unrepealed.

The prohibitory enactments and their palliative provisions have been set out verbatim, and at length with explanations, where necessary, of the causes in which they originated. The reader, therefore, is furnished with materials enabling him to judge for himself of the extent of the restrictions and of the reasons for abolishing or maintaining them.

Establishment of Bank of England, 1694.

The Bank of England was established on the 27th of July 1694, by royal charter, granted in pursuance of Section 19 of 5 & 6 W. and M. c. 20, whereby power was given their Majesty's to incorporate certain persons who had contributed a sum of 1,200,000 *l.* for the purpose of carrying on the war in France, and were entitled in respect of such contribution, to be paid a yearly sum of 100,000 *l.*

The corporate title was that of "The Governor and Company of the Bank of England," but it was provided by the Act that the corporation should cease on the Government giving twelve months' notice of dissolution at any time after the 1st of August 1705, and repaying the capital borrowed from the bank.

The

* All the Scotch banks are, as I understand the case, banks of issue. The Bank of Scotland, and the National Bank of Scotland are the only Scotch banks which have at present branches in London.

† The Bank of England was founded on the model of the Bank of Barcelona, established in 1401 (Macleod on Banking, vol. 1, p. 298), of the Bank of Venice, established in 1587 (*ibid*, p. 289, treats the usual date assigned 1153 or 1171 as erroneous); and the Bank of St. George at Genoa, established in 1675 (*ibid*, 295); the Bank of Amsterdam, a bank of deposit only, was founded in 1609, (*ibid*, 297); the Bank of Hamburgh also a bank of deposit on the model of the Bank of Amsterdam in 1619, (*ibid*, 298).

The existence of the bank has been continuously prolonged up to the present time by a succession of statutes.*

The usual form of the early statutes is to incorporate the subscribers to a new loan with the old subscribers, and to repeal the existing provision for redemption and substitute a new one. In the later statutes a new arrangement is generally made with the bank, and a new period of limitation assigned to its existence.

The Continuance Act now in force is the Bank Charter Act of 1844 (7 & 8 Vict. c. 32), under which the corporate existence of the bank is liable to be put an end to at any time upon twelve months' notice given after 1st of August 1855, and upon repayment to the bank of all debts due on the public account.

Any vote or resolution of the House of Commons signified under the hand of the Speaker in writing is sufficient notice.

Privileges of Bank of England.

No exclusive privileges conferred by the Act of 1694 on Bank of England. *See* Bank of England *v.* Anderson, 2 Keen, 344, 396.

The Act of 5 & 6 W. and M. c. 20, is altogether silent as to the power of the Bank of England to issue bank notes, and does not confer any exclusive privileges whatever beyond that of making the bills of the bank assignable at law.

In effect, however, the bank, immediately on incorporation, began to issue their own sealed bills and cash notes. The sealed bills were obligations under seal to pay certain specified sums of money to the persons named in the bills, their administrators, executors, and assigns, with interest; the cash notes were promissory notes in the form of the bank notes at present issued.

Enactment of 1697 absolutely prohibiting other banks.

Soon after its establishment the sealed bills and notes of the Bank of England were at a considerable discount,† and it became apparent that it would be necessary to give the bank protection against the rivalry of other banking establishments; and accordingly in 1697 there was passed the first of a series of prohibitory enactments which give rise to the question in this case. This was section 28 of 8 & 9 Will. 3, c. 20. It was to the following effect:—

> "That during the continuance of the Corporation of the Governor and Company "of the Bank of England, no other bank, or any other corporation, society, fellow- "ship, company, or constitution, in the nature of a bank, shall be erected or esta- "blished, permitted, suffered, countenanced, or allowed by Act of Parliament "within this kingdom."

Enactment of 1704 prohibiting joint stock companies of any description doing business as banks.

A few years more passed away, and an easy mode of evading the foregoing statute (which applied only to banks) was discovered, for in the year 1704, a charter of incorporation having been granted to certain mining adventurers of England, that corporation proceeded to erect itself into a money bank, and issue its sealed bills and cash notes in the same manner as the Bank of England. To prevent that mischief, in 1707 (6 Anne, c. 22,‡ in Ruffhead's Edition, c. 50 in Record Edition), a second prohibitory enactment was passed, which was repeated the next year, 1708, in 7 Anne, c. 7, s. 61, in Ruffhead's Edition, c. 30, s. 66 in Record Edition, and is as follows:—

> "That during the continuance of the said corporation of the Governor and Com- "pany of the Bank of England, it shall not be lawful for any body politic or cor- "porate whatsoever, erected or to be erected (other than the said Governor and "Company of the Bank of England), or for any other persons whatsoever united or "to be united in covenants or partnership, exceeding the number of six persons, in "that part of Great Britain called England, to borrow, owe, or take up any sum or "sums of money on their bills or notes payable at demand, or at any less time than "six months from the borrowing thereof."

Bank at this time and up to 1833 means bank of issue.

As the giving promissory notes for deposits was at that time an essential part of every banker's business, or in other words, as all banks were banks of issue, it cannot be doubted that

---

* The continuing Acts are as follows:—

Date of Renewal.	ACT.	Continued until Twelve Months' Notice after	Date of Renewal.	ACT.	Continued until Twelve Months' Notice after
1694	5 & 6 Will 3, c. 20 -	1st August 1705.	1764	4 Geo. 3, c. 25 - -	1st August 1786.
1997	8 & 9 Will 3, c. 20 -	1st August 1710.	1781	21 Geo. 3, c. 60 - -	1st August 1812.
1708	7 Anne, c. 7 - -	1st August 1732.	1800	40 Geo. 3, c. 28 - -	1st August 1833.
1713	12 Anne, stat. 1, c. 11 -	1st August 1742.	1833	3 & 4 Will. 4, c. 98 -	1st August 1855.
1742	15 Geo. 2, c. 13 - -	1st August 1764.	1844	7 & 8 Vict. c. 32 -	1st August 1855.

The best legal account of the Bank of England and its Acts of Parliament will be found in Bank of England *v.* Anderson, 2 Keen's Report.

† The bank has twice suspended payment of its notes, once in 1696 and a second time in 1797.

‡ 6 Anne c. 22, was repealed by the Statute Law Revision Act, 1867, and the enactment in the text is the one now in force.

Appendix, No. 1.

that the last-mentioned prohibition was meant to be a specific enactment that no bank of more than six persons should do any banking business. In effect it was an explanation and reiteration in another form of the previous prohibition of 8 & 9 Will. 3, c. 20, s. 28. It was so understood at the time, and in effect prevented the establishment of any other joint stock bank till the year 1826. It was not until the year 1833 that a bank of deposit only, the London and Westminster, was founded in England, and up to that time "bank" invariably meant a bank of issue, and "banking business" involved as its most essential characteristic the issue of promissory notes payable to bearer on demand.*

Repetition of enactments of 1697 and 1707 in continuing Act of 1800. Macleod, vol. 1, pp. 404–5.

In 1800 the charter of the bank had still 12 years to run, but the bank directors, alarmed at a proposal which had been advocated by Sir William Pulteney to found a rival bank, offered Mr. Pitt an advance of 3,000,000 *l.* for six years without interest, on his agreeing to renew the bank monopoly for 21 years from 1812. Mr. Pitt accepted the offer, and accordingly the Act of 39 & 40 Geo. 3, c. 28, was passed, and s. 15 of that Act repeats the foregoing prohibitory enactments in the following words:—

"'And to prevent any doubts that may arise concerning the privilege or power "'given by former Acts of Parliament to the said Governor and Company of exclusive "'banking, and also in regard to the erecting any other bank or banks by Parlia- "'ment, or restraining other persons from banking during the continuance of the "'said privilege granted to the Governor and Company of the Bank of England as "'before cited,' it is hereby further enacted and declared, that it is the true intent "and meaning of this Act, that no other bank shall be erected, established, or "allowed by Parliament;

"And that it shall not be lawful for any body politic or corporate whatsoever, erected "or to be erected, or for any other persons, united or to be united in covenants or "partnership, exceeding the number of six persons in that part of Great Britain "called England, to borrow, owe, or take up any sum or sums of money on their "bills or notes, payable on demand, or at any less time than six months from the "borrowing thereof, during the continuance of the said privilege to the said Governor "and Company; who are hereby declared to be and remain a corporation, with the "privilege of exclusive banking, as before recited. Subject to redemption as in the "said Act mentioned."

The foregoing enactments create the monopoly of the Bank of England as it originally existed. They are still in force, except in so far as they are modified by subsequent legislation, of which we now proceed to give an account.

Modification in 1826 of general prohibition against establishment of joint stock banks of issue.

The great failure of private banks in 1826 led to a consideration of the expediency of retaining in its integrity the monopoly of the Bank of England, and it was determined to allow banking partnerships of more than six persons to be formed, provided; firstly, that they were established at a distance of more than 65 miles from London, and did not have any branch or conduct any banking business (except to the extent provided by the Act) in or within 65 miles of London; and, secondly, that the liability of the partnership was unlimited.

The provisions to carry this determination into effect are contained in 7 Geo. 4, c. 46, s. 1, which, after reciting that the "Governor and Company of the Bank of England "have consented to relinquish so much of their exclusive privilege as prohibits any body "politic or corporate, or any number of persons exceeding six, in England, acting in "co-partnership, from borrowing, owing, or taking up any sum or sums of money on their "bills or notes payable on demand, or at any less time than six months from the borrowing "thereof; provided, that such body politic or corporate, or persons united in covenants "or partnerships, exceeding the number of six persons in each copartnerships, shall have "the whole of their banking establishments and carry on their business as bankers at any "place or places in England exceeding the distance of 65 miles from London; and that "all the individuals composing such corporations or copartnerships carrying on such "business shall be liable to and responsible for the due payment of all bills and notes "issued by such corporations or copartnerships respectively," enacts:

Enactment of section 1 of Act of 1826 enabling joint stock banks of issue to be formed.

(I.) "That from and after the passing of this Act it shall and may be lawful for "any bodies politic or corporate erected for the purposes of banking, or for any "number of persons united in covenants or copartnership, although such persons so "united or carrying on business together shall consist of more than six in number, to "carry on the trade or business of bankers in England, in like manner as copartner- "ships of bankers consisting of not more than six persons in number may lawfully "do;" and

"For such bodies politic or corporate, or such persons so united as aforesaid, to make "and issue their bills or notes at any place or places in England exceeding the "distance of 65 miles from London, payable on demand, or otherwise at some place "or places specified upon such bills or notes, exceeding the distance of 65 miles "from London, and not elsewhere, and to borrow, owe, or take up any sum or sums "of

* That "bank" meant bank of issue, and that such was the meaning of the clause, *see* Macleod on Banking, vol 1, p. 369; *see* also The Bank of England *v.* Anderson, 2 Keen, 370. The opinion of the Solicitor General in 1833 was that the Bank of England, as originally founded, was a bank of issue, and, therefore, the monopoly first granted in 1697 must be held only to refer to banks *ejusdem generis*. (Macleod, vol. 2, p. 111). *See* post, page 436, and foot note on page 437.

" of money on their bills or notes so made and issued at any such place or places as " aforesaid :"

" Provided always :

" That such corporations or persons carrying on such trade or business of bankers " in copartnership shall not have any house of business or establishment as bankers " in London, or at any place or places not exceeding the distance of 65 miles from " London."

Restriction of section 1 of Act of 1826 imposing the 65 miles limit and unlimited liability.

" And that every member of any such corporation or copartnership shall be liable " to and responsible for the due payment of all bills and notes which shall be issued, " and for all sums of money which shall be borrowed, owed, or taken up " by the corporation or copartnership of which such person shall be a " member."

Certain banking business allowed to joint stock banks even with 65 miles limit.

If the Act had stopped here it would have operated only as a relaxation of the old prohibitory enactments to the extent of providing that joint stock companies might be formed for the purpose of transacting banking business beyond the area of 65 miles from London. It was intended, however, further to relax the old enactments in two respects: (1), to enable the new copartnerships to draw bills of exchange for sums amounting to 50 *l.* or upwards, payable either in London or elsewhere, at any period after date or after sight; and (2), to allow such copartnership, by means of their agents, to discount in London bills of exchange not drawn by or upon such corporation or copartnership, or by or upon any person on their behalf. Such being the intention, the natural course would have been to have put these relaxations forward and then allowed the general prohibitions to operate to the extent to which they were left unrepealed. The course taken, however, was to re-enact in different terms the old prohibitions, and to add the relaxations as provisoes at the end of each prohibition. With this view sections 2 and 3 of the Act of 1826 are drawn in the following form :—

Enactments of sections 2 and 3 of Act of 1826, describing the nature of the banking business to be transacted by joint stock banks within 65 miles limit.

" II. Provided always, and be it further enacted, that nothing in this Act con- " tained shall extend or be construed to extend to enable or authorise any such cor- " poration, or copartnership exceeding the number of six persons, so carrying on the " trade or business of bankers as aforesaid, either by any member of or person be- " longing to any such corporation or copartnership, or by any agent or agents, or any " other person or persons on behalf of any such corporation or copartnership to issue " or re-issue in London, or at any place or places not exceeding the distance of 65 " miles from London, any bill or note of such corporation or copartnership, which " shall be payable to bearer on demand, or any bank post bill; nor to draw upon any " partner or agent, or other person or persons who may be resident in London, " or at any place or places not exceeding the distance of 65 miles from London, any " bill of exchange which shall be payable on demand, or which shall be for a less " amount than 50 *l.* :

" Provided also, that it shall be lawful, notwithstanding anything herein or in the " said recited Act contained, for any such corporation or copartnership to draw any " bill of exchange for any sum of money amounting to the sum of 50 *l.* or " upwards, payable either in London or elsewhere, at any period after date or after " sight."

" III. Provided also, and be it further enacted, that nothing in this Act contained " shall extend or be construed to extend to enable or authorise any such corporation " or copartnership exceeding the number of six persons, so carrying on the trade or " business of bankers in England as aforesaid, or any member, agent or agents of " any such corporation or copartnership, to borrow, owe, or take up in London or at " any place or places not exceeding the distance of 65 miles from London any sum " or sums of money on any bill or promissory note of any such corporation or co- " partnership payable on demand, or at any less time than six months from the " borrowing thereof, nor to make or issue any bill or bills of exchange or promissory " note or notes of such corporation or copartnership contrary to the provisions of the " said recited Act of the 39th and 40th years of King George the Third, save as " provided by this Act in that behalf:

" Provided also, that nothing herein contained shall extend or be construed to " extend to prevent any such corporation or copartnership, by any agent or person " authorised by them, from discounting in London or elsewhere, any bill or bills of " exchange not drawn by or upon such corporation or copartnership, or by or upon " any person on their behalf."

The Bank Charter Act expired at the end of one year's notice to be given after the 1st June 1832, and two Acts were passed in that year affecting the bank monopoly. The first of these is 3 & 4 Will. 4, c. 83. This appears to have been an Act brought in for the purpose of compelling banks of issue to make a return of their notes, but the opportunity was taken (s. 2) of making a very large inroad on the restrictions on banking copartnerships in relation to bills and notes. It provided that any such copartnership might make any bill of exchange or promissory note payable in London by any agent of such copartnership, and might draw any bill of exchange or promissory note upon any agent in London, payable on demand or otherwise, in London, for a less amount than 50 *l.*

Appendix, No. 1.

Continuing Act of 1833, repeating preceding enactments with certain modifications as to agencies of joint stock banks.

The second Act of 1833 is the important statute, 3 & 4 Will. 4, c. 98; this Act continued the terms of the incorporation of the Bank of England, and proceeded to explain in its two first sections the Act of 1826, and, as it would seem, chapter 83 of the same Session, in the following terms:—

"I. The said Governor and Company of the Bank of England shall have and "enjoy such exclusive privilege of banking as is given by this Act as a body cor- "porate, for the period and upon terms and conditions hereinafter mentioned, and "subject to termination of such exclusive privilege at the time and in the manner in "this Act specified.

"II. During the continuance of the said privilege, no body politic or corporate "and no society or company, or persons united or to be united in covenants or part- "nerships, exceeding six persons, shall make or issue in London, or within 65 miles "thereof, any bill of exchange or promissory note, or engagement for the payment "of money on demand, or upon which any person holding the same may obtain pay- "ment on demand:

"Provided always, that nothing herein or in the said recited Act of the seventh "year of the reign of his late Majesty King George the Fourth contained shall be "construed to prevent any body politic or corporate, or any society or company, or "incorporated company or corporation, or copartnership, carrying on and transacting "banking business at any greater distance than 65 miles from London, and not having "any house of business or establishment as bankers in London, or within 65 miles "thereof (except as hereinafter mentioned), to make and issue their bills and notes "payable on demand or otherwise, at the place at which the same shall be issued, "being more than 65 miles from London, and also in London, and to have an agent "or agents in London or at any other place at which such bills or notes shall be made "payable for the purpose of payment only, but no such bill or note shall be "for any sum less than 5 *l.*, or be re-issued in London, or within 65 miles "thereof.

The third section of the continuing Act of 1833 an enabling section and explanatory of meaning of the word "banks" in early enactments.

Macleod, vol. 2, pp. 110,111.

1. The third section of the Act is an enabling and not a prohibitory enactment, but it requires to be noticed here as it has a material bearing on the construction of the earlier prohibitory enactments. As far back as 1796 the nature of the exclusive privileges enjoyed by the Bank of England formed a subject of consideration to an association of merchants who were desirous of putting an end to the monopoly of the Bank, and they decided that the exclusive privileges consisted only in the power of borrowing, owing, or taking up money on their bills and notes payable on demand, and did not extend to the exercise of the functions of a deposit bank. About the year 1822 the idea of forming banks of deposit was discussed in pamphlets, but no step was taken until the year 1833, when in the course of the preliminary negociation to the continuing Act of 1833 the question was brought under the notice of the Government, who took the opinion of the law officers on the point. As already stated, that opinion was that the monopoly granted in 1697, and since continued, referred only to banks of issue and not to banks of deposit; but to remove all doubts the third section above referred to was drawn, and is in the following words:

"III. And whereas the intention of this Act is, that the Governor and Company "of the Bank of England should, during the period stated in this Act (subject never- "theless to such redemption as is described in this Act), continue to hold and enjoy "all the exclusive privileges of banking, given by the said recited Act of the thirty- "ninth and fortieth years of the reign of his Majesty King George the Fourth "aforesaid, as regulated by the said recited Act of the seventh year of his late "Majesty King George the Fourth, or any prior or subsequent Act or Acts of "Parliament, but no other or further exclusive privilegè of banking: And whereas "doubts have arisen as to the construction of the said Acts, and as to the extent of "such exclusive privilege, and it is expedient that all such doubts should be removed: "Be it therefore declared and enacted that any body politic or corporate, or society, "or company, or partnership, although consisting of more than six persons, may "carry on the trade or business of banking in London, or within 65 miles thereof, "provided that such body politic or corporate, or society, or company, or partner- "ship do not borrow, owe, or take up in England any sum or sums of money on their "bills or notes payable on demand, or at any less time than six months from the borrow- "ing thereof, during the continuance of the privileges granted by this Act to the "said Governor and Company of the Bank of England."*

A clause

* It may be contended that the introduction of the words "in England" in this section expressly authorises the Scotch banks of issue to have branches in London, although English banks are prohibited from having them. The answer would seem to be that such a construction is precluded by the preamble of the section, and by section one of the Act, which declare that the Bank of England is to preserve its exclusive privileges, subject in effect to the Act of 1826. Now to allow Scotch banks of issue to have branches in London would be an infringement of the exclusive privileges of the Bank of England contained in the Act of 1697 to an extent not authorised by the Act of 1826. (*See* observations on the Act of 1828, 9 Geo. 4, c. 23, in the Memorandum, p. 442.

Appendix, No. 1.

Account of Sir R. Peel's Act of 1844 and general restrictions on issue.

A clause was contained in the Act of 1833 giving Parliament power to revise or cancel the Bank Charter in 1845. Sir Robert Peel, availing himself of this opportunity, introduced in 1844 the Bank Charter Act (7 & 8 Vict. c. 32). The object of this Act was to obviate the dangers of over issue by limiting the power to issue notes payable on demand. A further object was to put an end to country bank issues so far as was consistent with existing interests.

With a view to carry these objects into effect, the Act provided:

1. That the issue of bank notes by the Bank of England should be kept wholly distinct from the general banking business, and that the notes issued by the Bank should be so issued on the credit of securities, coin and bullion set apart in the Issue Department.
2. That no new bank of issue should be established after the passing of the Act.
3. That existing banks of issue should thenceforth be entitled to issue only the average amount of notes which they had in circulation during the twelve weeks preceding the 27th April 1844.
4. The restriction as to copartnerships of six persons was rendered more stringent by providing that if any company or partnership consisting at that date of six, or less than six persons, increased their number of partners beyond six, they were to lose their issue.
5. The Bank of England was allowed to compound with private banks of issue for a withdrawal of their own notes and an issue of Bank of England notes on payment of a sum not exceeding one per cent.; but it was provided (evidently with a view to extinguish altogether the country bank issues) that such compositions were to cease on the 1st August 1856, a period prolonged by 19 & 20 Vict. c. 20, until the general prohibition of country bank issues or the determination of the privileges of the Bank of England.
6. The privileges of the bank were to continue till 12 months' notice, to be given after the 1st August 1855, and repayment of all debts due from the public.

The only alleviating provision in the Act to counterbalance the above restrictions was section 26, which finally disposed of so much of the prohibitory enactments as related to bills of exchange, by declaring that any society, or company, or any person in partnership, though exceeding six in number, carrying on business of banking in London, or within 65 miles, were empowered to draw, accept, or endorse bills of exchange, not being payable to bearer on demand, anything in the hereinbefore recited Act passed in the fourth year of the reign of his said Majesty King William the Fourth, or in any other Act to the contrary notwithstanding.

A new arrangement with the Bank of England was entered into in 1861 by the Act of 24 Vict. c. 3, but the charter remains determinable on 12 months' notice being given and repayment of the debt due from the public.

Restrictions on value of bank notes issued in England. Macleod, vol. 1, p. 104.

Before proceeding to the history of the Scotch law it remains only to notice the restrictions placed on the issue of notes as to value.

Previously to 1759, 20 *l.* notes only were issued by the Bank of England. In 1759, the minimum value was reduced to 10 *l.*, in 1793 to 5 *l.*, and in 1797 to 1 *l.* and 2 *l.* notes. Bank notes continued at this minimum value until the Act of 7 Geo. 4, c. 6, 1826, when the further issue in England of notes under 5 *l.* was forbidden, and after the 5th of April 1829, the uttering in England of notes under 5 *l.* which had been made or issued in Scotland or Ireland was prohibited under penalties by 9 Geo. 4, c. 65 *.

Summary.

---

* Bank notes were originally invented by the Chinese about the year 807.

Macleod, vol. 1, p. 288. *Ib.*, p. 376.

Bank notes, in England, originated in goldsmiths' notes; goldsmiths received deposits of moneys and gave notes or receipts for such moneys payable on demand. They derive their peculiar properties of being negociable from 3 & 4 Anne, c. 9. That Act was passed in consequence of the refusal of Lord Holt to concede to the custom which had sprung up among merchants of treating promissory notes as negociable. He said, in the case of Clark *v.* Martin (2 Lord Raymond, 757), that the endeavour to uphold the negociability of notes proceeded from the obstinacy of merchants, who were endeavouring to set the law of Lombard-street above the law of Westminster Hall. *See* same case, 1 Salkeld, 129, and Potter *v.* Pearson, same page.

Smith's Mercantile Law, 8th ed., p. 199.

The London bankers continued to give their customers notes or deposit receipts for the sums left by them until about the year 1781, when, in lieu of such notes, they gave them cheque books, which are in effect simply unaccepted bills of exchange payable to bearer on demand (the possession of funds being by the custom of bankers held equivalent to acceptance).

Macleod, vol. 1, p. 379.

Previously to the invention of cheque books the practice of issuing notes was considered so essentially the main feature of banking, that a prohibition of issue was considered an effectual bar against banking. Accordingly, the prohibitory clause in the Act of 6 Anne, c. 22, or c. 50 in Rec. Ed., which was repeated in 7 Anne, c. 7, c. 30, s. 66 in Rec. Ed., prohibiting more than six persons from issuing promissory notes was intended to prevent any bank being formed with more than six partners, and was so understood at the time, and it did have the effect of preventing any joint stock bank being formed.

Ib.

Appendix, No. 1.

Summary.

Effect of prohibitory enactments.

To sum up, the effect of the foregoing enactments appears to be that the prohibitions contained in the Acts of 1697 and 1707, as explained and reiterated by the Act of 1800, absolutely forbidding the establishment of joint stock banks of issue, are still in force except in so far as they are modified by subsequent legislation; that such modification amounts only to allowing such joint stock banks to be established before 1844 beyond the 65-mile limit from London, provided they have no branch in London, and to abolishing the restrictions with respect to their dealings with bills of exchange.

The total result of the foregoing enactments as to banks of issue appears to be:—

(1.) That no country bank of issue consisting of more than six persons can have a branch bank in London.

(2.) That no country bank of issue can increase its numbers beyond six without forfeiting its issue.

(3.) That no country bank of issue can issue any amount of notes beyond the average amount it issued at the time of the passing of the Act of 1844.

(4.) That no country bank of issue can issue notes within the City of London, or 65 miles thereof.

(5.) That notes cannot be issued of a less value than 5 *l.*

PART II.

History of Banking in Scotland.*

Enumeration of Scotch banks.

Banking in Scotland is conducted by eleven joint stock banks, all of them banks of issue; they are—

1. The Bank of Scotland.
2. The Royal Bank of Scotland.
3. The British Linen Company.
4. The Commercial Bank of Scotland.
5. The National Bank of Scotland.
6. The Union Bank of Scotland.
7. The Aberdeen Town and County Banking Company.
8. The North of Scotland Banking Company.
9. The Clydesdale Banking Company.
10. The City of Glasgow Bank.
11. The Caledonian Banking Company.

Dates of establishment of Scotch banks.

The first of these banks, the Bank of Scotland, was founded by Parliament in 1695. The second, the Royal Bank of Scotland, by charter, dated 1st May 1727. The third, the British Linen Company, by Royal charter, dated 6th July 1746. The fourth, the Commercial Bank of Scotland, by a Royal charter, dated the 5th August 1831. The fifth, the National Bank of Scotland, was established on the 21st March 1825, by contract of copartnership. The remaining six banks have been constituted since the year 1825 as joint stock companies under contracts of copartnership, and with the exception of the Caledonian Banking Company, have all been registered and incorporated under the Companies Act, 1862.

Law as to issue of notes in Scotland.

The right to issue bank notes is conceived to be a common law right in Scotland, and until 1844 no restrictions were ever placed on the issue, except a provision that a bank note should not be issued for less than 20 *s.*† The Act of 1844, 7 & 8 Vict. c 32, s. 10, provided that from and after the passing of that Act no person other than a banker, who on the 6th May 1844 was lawfully issuing his own bank notes, should make or issue bank notes in any part of the United Kingdom; and in 1845 this Act was followed by 8 & 9 Vict. c. 38, which provided that the Commissioners of Stamps and Taxes should ascertain, as respects each bank of issue in Scotland, the average amount of its circulation during the year preceding the 1st May 1845, and it was declared that such bank should thenceforth be prohibited from issuing its own notes beyond the certified average amount and monthly average amount of gold and silver coin, held by such bank at the head office or principal place of issue.

Comparison of privileges of English and Scotch banks.

Comparing then the privileges of Scotch banks with English, it appears that they can issue notes of a minimum value of 1 *l.*, whilst the English banks are restricted to a minimum

---

* The information as to banking in Scotland is derived from Mr. Fleming's memorandum. (*See* Appendix 2.)

† A provision to this effect is contained in the Act of 1845, 8 & 9 Vict. c. 38, s. 5.

mum value of 5 *l.*;* that they can issue notes against gold to any amount, whilst they are subjected, at all events in their own country, to none of the restrictions to which country banks of issue are subjected in England.

It would further seem that Scotch banks of issue may issue notes of 5 *l.* and upwards in England, as such notes do not fall within the prohibition of 9 Geo. 4, c. 65.

Account of Act enabling Royal Bank of Scotland to have a branch in

There is one additional fact which it is necessary to notice in relation to Scotch banking as having a possible bearing on the case. The charter of the Royal Bank of Scotland gave the bank power to exercise the right of banking in that part of the United Kingdom called Scotland only, and in consequence of this it was probably illegal for the bank to establish any agency out of Scotland. From the year 1866 to the year 1872 applications were from time to time made to the Government to grant them a supplemental charter permitting them to have branches in England. These applications were refused, but last year the Royal Bank of Scotland having brought in a private Bill to enable them to carry on the business of banking in any part of the United Kingdom, the Government allowed the Bill to pass on condition that their power to carry on banking was restricted to London, and that they were forbidden to issue their notes elsewhere than in Scotland.

PART III.

General Conclusion.

Such being the circumstances of the case, the first question is whether it is or is not legal for Scotch joint stock company banks of issue to establish branches in England. In answer to that question it is submitted that the prohibitions contained in the Acts of 1697 and 1708 and repeated in 1800 are still in force, with the special modification introduced by the Act of 1826, and are perfectly general in their terms and extend to Scotch banks of issue as well as to country banks of issue in England, and consequently that, with the exception of the Royal Bank of Scotland, which is empowered by Act of Parliament to have a branch in London, all other branches belonging to Scotch banks of issue in London or within 65 miles thereof are illegal. † On the other hand, there does not appear to be any legal prohibition against the Clydesdale Banking Company establishing their branches in Cumberland, being at a distance of more than 65 miles from London.

With respect to the expediency of restricting by law the Clydesdale Banking Company coming into England, many arguments may be urged in its favour. Scotch joint stock banks are subject to none of the special restrictions under which English country banks labour. Scotch banks can increase their partners to any number, can issue notes against gold, and last, but not least, have power to circulate notes of a minimum value of 1 *l.* It is submitted that the Government may fairly say, "If you desire the privileges of Eng-"lish country banks, you must submit to the restrictions, and we will deprive you of your "privilege of issuing notes of a minimum value of 1 *l.*, and of issuing notes at all against "securities, or else you must submit to withdraw your branches from England." The policy of the Government has ever been to maintain the existing restrictions on English country bank notes with a view to eventually make an arrangement whereby their issues may be brought to an end. This policy must be abandoned unless some restrictions are placed on the Scotch banks, as it would seem impossible to leave the banks of one part of the United Kingdom subject to restrictions from which those situate in another part of the United Kingdom are free.

In a political point of view, then, the inquiry would seem to resolve itself into this; which is the more expedient course, to relax the restrictions to which English country banks of issue are subject, or to cause the Scotch banks to withdraw from England under the threat of being placed on a par with the English banks by having the value of their notes restricted to a minimum of 5 *l.*, and no issues permitted against securities.

25 May 1874. *Henry Thring.*

* In 1826 it was the intention of the Government to have extended the prohibition of 1 *l.* and 2 *l.* notes to Scotland and Ireland, but so much ferment was excited in Scotland that the intention was abandoned.

† Act of 1697, 8 & 9 Will. 3, c. 20; Act of 1708, 7 Anne, c. 7 (c. 30, in Record Edition); Act of 1800, 39 & 40 Geo. 3, c. 28; Act of 1826, 7 Geo. 4, c. 46.

APPENDIX 1

SUMMARY OF ACTS IN FORCE RELATING TO BANKING IN ENGLAND.

Year.	Session and Chapter.	Title of Act.	Nature of Body created.	Special Provisions as to Banking.	Observations.
1694	5 & 6 W. & M. c. 20, s. 20 (in Ruff head), s. 19, in Record edition.	An Act for granting to their Majesties several rates and duties upon tonnage of ships and vessels, and upon beer, ale, and other liquors, for securing certain recompenses and advantages in the said Act mentioned, to such persons as shall voluntarily advance the sum of fifteen hundred thousand pounds towards carrying on the war against France.	Power for their Majesties to incorporate subscribers and contributors to the sum of one million two hundred thousand pounds, by the name of the Governor and Company of the Bank of England.	Sects. 27 and 28. The bank was prohibited from trading, except in bills of exchange, bullion, and so forth. By s. 28, bills under the seal of the corporation were made assignable by endorsement.	The charter was granted on the twenty-seventh of July one thousand six hundred and ninety-four. This charter was redeemable upon the expiration of twelve months' notice after the first of August one thousand seven hundred and five, upon payment by the public to the bank of the demands therein specified.
1697	8 & 9 Will. 3, c. 20, s. 28.	An Act for making good the deficiencies of several funds therein mentioned; and for enlarging the capital stock of the Bank of England; and for raising the public credit.	- - - - -	No bank to be established within England during the continuance of the Bank of England.	—
1704	3 & 4 Anne, c. 9 (c. 8 in Record edition).	An Act for giving like remedy upon promissory notes as is now used upon bills of exchange, and for the better payment of inland bills of exchange.	- - - - -	Makes all notes in writing made and signed by any person or body politic or corporate, or by the servant or agent of any corporation, banker, goldsmith, merchant, or trader, usually entrusted with such power of signature, and containing a promise to pay to any person or persons, body politic or or corporate, his, her, or their order, or unto bearer, any sum of money mentioned in such note, assignable and endorsable in the same manner as inland bills of exchange are or may be according to the custom of merchants; and by s. 2 the payee is enabled to maintain an action on such notes.	—
1707	6 Anne, c. 32. Record edition, 6 Anne, c. 59.	An Act for regulating the qualifications of the elections of the Governor, Deputy Governor, Directors, and Voters of the Governor and Company of the Bank of England.	—	—	—
1708	7 Anne, c. 7, s. 61 (c. 30, s. 66, in Record edition).	An Act for enlarging the capital stock of the Bank of England, and for raising a further supply to Her Majesty, for the service of the year one thousand seven hundred and nine.	- - - - -	During the continuance of the Bank of England, no company or partnership exceeding six persons, in England, to borrow, owe, or take up any sum or sums of money on their bills or notes, payable on demand, or at any less time than six months from the borrowing thereof.	This prohibition was originally contained in 6 Anne, c. 22, in Ruffhead's edit. (6 Anne, c. 50, in the Record edit.), repealed Statute Law Revision Act, 1867. *See* also 4 Geo. 3, c. 25, s. 13 (1763), repealed Statute Law Revision Act, 1870.
1709	8 Anne, c. 1 - -	An Act for granting an aid to Her Majesty, to be raised by a land tax in Great Britain for the service of the year one thousand seven hundred and ten.	- - - - -	- - - - - - -	This Act relates to capital only.
1716	3 Geo. 1, c. 3 - -	An Act, the title of which begins with the words, "An Act for redeeming several funds," and ends with the words, "and	- - - - -	- - - - - - -	Provision with respect to further advances.

		words, "An Act to enable the South Sea Company," and ends with the words "ten per centum therein mentioned."			
1742	15 Geo. 2, c. 13 -	An Act for establishing an agreement with the Governor and Company of the Bank of England for advancing the sum of one million six hundred thousand pounds towards the supply for the service of the year one thousadd seven hundred and forty-two.	- - - - -	Section 5 contains the same prohibitory enactment as 39 & 40 Geo. 3, c. 28, s. 15. It is repealed by Statute Law Revision Act, 1870 (24 & 25 Vict. c. 95).	Enlarging capital.
1751	24 Geo 2, c. 4 -	An Act, the title of which begins with the words, "An Act for enabling His Majesty to raise," and ends with the words "two Acts of the last Session of Parliament."	- - - - -	- - - - - - - - -	Internal management of the Bank of England.
1800	39 & 40 Geo 3, c. 28. s. 15.	An Act for establishing an agreement with the Governor and Company of the Bank of England for advancing the sum of three millions towards the supply for service of the year one thousand eight hundred.	- - - - -	It is the true intent and meaning of this Act, that (1) during the continuance of the said privilege granted to the Governor and Company of the Bank of England, no other bank shall be erected, established, or allowed by Parliament; and (2) that it shall not be lawful for any body politic or corporate whatsoever, erected or to be erected, or for any other persons, united or to be united in covenants or partnership exceeding the number of six persons, in that part of Great Britain called England, to borrow, owe, or take up, any sum or sums of money on their bills or notes, payable on demand, or at any less time than six months from the borrowing thereof, during the continuance of the said privilege to the said Governor and Company, who are hereby declared to be and remain a corporation, with the privilege of exclusive banking, as before recited, subject to redemption on the terms and conditions in this Act mentioned. *See* above, 15 Geo. 2, c. 13.	—
1816	56 Geo. 3, c. 96 -	An Act for establishing an agreement with the Governor and Company of the Bank of England for advancing the sum of three millions for the service of the year one thousand eight hundred and sixteen.	- - - - -	- - - - - - - - -	Advances by Bank of England.
1819	59 Geo. 3, c. 76 -	An Act to establish further regulations respecting advances by the Bank of England for the public service, and the purchase of Government securities by the said bank	- - - -	- - - - - - - -	Advances by Bank of England.
1820	1 Geo. 4, c. 92 -	An Act for the further prevention of forging and counterfeiting of bank notes.	—	—	—
1826	7 Geo. 4, c. 6 -	An Act to limit, and after a certain period to prohibit, the issuing of promissory notes under a limited sum in England.	- - - -	Prohibition of bank notes under five pounds.	—

APPENDIX 1.—Summary of Acts in Force relating to Banking in England—*continued.*

Year.	Session and Chapter.	Title of Act.	Nature of Body created.	Special Provisions as to Banking.	Observations.
1826	7 Geo. 4, c. 46 -	An Act for the better regulating copartnerships of certain bankers in England, &c.	Copartnership, with power to sue and be sued, of more than six persons beyond 65 miles from London.	Power to make and issue their bills or notes at any place or places in England, exceeding the distance of sixty-five miles from London, payable on demand or otherwise, at some place or places specified upon such bills or notes, exceeding the distance of sixty-five miles from London, and not elsewhere, and to borrow, owe, or take up any sum or sums of money on their bills or notes so made and issued at any such place or places as aforesaid: Provided (1) that such corporations or persons carrying on such trade or business of bankers in copartnership shall not have any house of business or establishment as bankers in London, or at any place or places not exceeding the distance of sixty-five miles from London; and (2) that nothing shall extend to enable any such corporation or copartnership, either by any member of or person belonging to any such corporation or copartnership, or by any agent or agents, or any other person or persons on behalf of any such corporation or copartnership, to issue or re-issue in London, or at any place or places not exceeding the distance of sixty-five miles from London, any bill or note of such corporation or copartnership, which shall be payable to bearer on demand, or any bank post bill; nor to draw upon any partner or agent, or other person or persons who may be resident in London, or at any place or places not exceeding the distance of sixty-five miles from London, any bill of exchange which shall be payable on demand, or which shall be for a less amount than fifty pounds: (3) that nothing in this Act contained shall extend to enable or authorise any such corporation or copartnership exceeding the number of six persons, so carrying on the trade or business of bankers in England as aforesaid, or any member, agent, or agents of any such corporation or copartnership, to borrow, owe, or take up in London, or at any place or places not exceeding the distance of sixty-five miles from London, any sum or sums of money on any bill or promissory note of any such corporation or copartnership payable on demand, or at any less time than six months from the borrowing thereof, nor to make or issue any bill or bills of exchange or promissory note or notes of such corporation or copartnership contrary to the provisions of the said recited Act of the thirty-ninth and fortieth year of King George the Third, save as provided by this Act in that behalf.	—
1828	9 Geo. 4, c. 23 -	An Act to enable bankers in England to issue certain unstamped promissory notes and bills af exchange, upon payment of a composition in lieu of the stamp duties thereon.	- - - - -	All bankers to issue notes, except within the City of London, and three miles thereof, on taking licenses with a saving of the rights of Bank of England.	I do not understand the effect of this Act. It is still in force; but I do not find it noticed as having had any effect on the law of banking. I presume the saving as to the rights of the Bank of England nullified its apparent effect.
1828	9 Geo. 4, c. 65 -	An Act to restrain the negotiation in England of promissory notes and bills under a limited sum issued in Scotland or Ireland.	- - - - -	Prohibition of the issue in England of Scotch or Irish notes under five pounds.	—

1833	3 & 4 Will 4, c. 83	An Act to compel banks issuing promissory notes payable to bearer on demand, to make returns of their notes in circulation, and to authorise banks to issue notes payable in London for less than fifty pounds.	- - - - -	That it shall be lawful for anybody politic or corporate whatsoever, erected or to be erected, and for any other persons united or to be united in covenants or partnership, exceeding the number of six persons, carrying on business as bankers, to make any bill of exchange or promissory note of such corporation or copartnership payable in London by any agent of such corporation or copartnership in London, or to draw any bill of exchange or promissory note upon any such agent in London, payable on demand or otherwise, in London, and for any less amount than fifty pounds; anything in the said recited Act of the seventh year of the reign of His late Majesty King George the Fourth, or in any other Act to the contrary notwthstanding.	—
1833	3 & 4 Will. 4, c. 98	An Act for giving to the corporation of the Governor and Company of the Bank of England certain privileges, for a limited period, under certain conditions.	- - - - -	This Act is explanatory of 7 Geo. 4, c. 46. It provides (s. 2), That during the continuance of the said privilege, no body politic or corporate, and no society or company, or persons united or to be united in covenants or partnerships, exceeding six persons, shall make or issue in London, or within sixty-five miles thereof, any bill of exchange or promissory note, or engagement for the payment of money on demand, or upon which any person holding the same may obtain payment on demand: Provided always, that nothing herein or in the said recited Act of the seventh year of the reign of His late Majesty King George the Fourth contained shall be construed to prevent any body politic or corporate, or any society or company, or incorporated company or corporation, or copartnership, carrying on and transacting banking business at any greater distance than sixty-five miles from London, and not having any house of business or establishment as bankers in London, or within sixty-five miles thereof (except as hereinafter mentioned), to make and issue their bills and notes, payable on demand or otherwise, at the place at which the same shall be issued being more than sixty-five miles from London, and also in London, and to have an agent or agents in London, or at any other place at which such bills or notes shall be made payable for the purpose of payment only, but no such bill or note shall be for any sum less than five pounds, or be re-issued in London or within sixty-five miles thereof. 3. And whereas the intention of this Act is, that the Governor and Company of the Bank of England should, during the period stated in this Act (subject nevertheless to such redemption as is described in this Act), continue to hold and enjoy all the exclusive privileges of banking given by the said recited Act of the thirty-ninth and fortieth years of the reign of His Majesty King George the Third aforesaid, as regulated by the said recited Act of the seventh year of His late Majesty King George the Fourth, or any prior or subsequent Act or Acts of Parliament, but no other or further exclusive privilege of banking: And whereas doubts have arisen as to the construction of the said Acts, and as to the extent of such exclusive privilege, and it is expedient that all such doubts should be removed; be it therefore declared and enacted, That any body politic or corporate, or society, or company, or partnership, although consisting of more than six persons, may carry on the trade or business of banking in London, or within sixty-five miles thereof, provided that such body politic or corporate, or society, or company, or partnership do not borrow, owe, or take up in England any sum or sums of money on their bills or notes payable on demand, or at any less time than six months from the borrowing thereof during the continuance of the privileges granted by this Act to the said Governor and Company of the Bank of England.	—
1837	7 Will. 4 & 1 Vict. c. 73.	An Act for better enabling Her Majesty to confer certain powers and immunities on trading and other companies.	Companies incorporated by letters patent with limited liability.	—	—
1844	7 & 8 Vict. c. 32 -	An Act to regulate the issue of bank notes, and for giving to the Governor and Company of the Bank of England certain privileges for a limited period.	Bank of England divided into issue department and banking department.	No bank to issue notes unless issuing the same on 6th May 1844. Issue not to exceed the certified average issue of twelve weeks preceding 27th April 1844. No bank at date of Act consisting of six or less than six persone to issue notes, if partners increased to more than six. From and after the passing of this Act it shall be lawful for any society or company, or any persons in partnership, though exceeding six in number, carrying on the business of banking in London, or within sixty-five miles thereof, to draw, accept, or endorse bills of exchange, not being payable to bearer on demand, anything in the hereinbefore recited Act passed in the fourth year of the reign of His said Majesty King William the Fourth, or in any other Act, to the contrary notwithstanding.	Sir Robert Peel's Act. This is the last continuance Act. The corresponding Acts for Ireland and Scotland are 8 & 9 Vict. cc. 37, 38 (1845).

APPENDIX 1.—Summary of Acts in Force relating to Banking in England—*continued.*

Year.	Session and Chapter.	Title of Act.	Nature of Body created.	Special Provisions as to Banking.	Observations.
1845	8 & 9 Vict. c. 76	An Act to amend an Act of the last Session of Parliament, for regulating the issue of bank notes in England.	- - - - - - - -	- - - - - - - - - - - -	Amendment of 7 & 8 Vict. c. 32, as to recovery of penalties.
1852	16 & 17 Vict. c. 2	An Act to amend an Act of the first year of King George the Fourth, for the further prevention of forging and counterfeiting bank notes.	—	—	—
1854	17 & 18 Vict. c. 83	An Act to amend the laws relating to the stamp duties.	- - - - - - - -	Stamp Act. Abolition of restriction as to drafts of bankers.	—
1856	19 & 20 Vict. c. 20	An Act to continue certain compositions payable to bankers who have ceased to issue bank notes.	- - - - - - - -	Wilson's Act. Continuance of compensation to bankers who have ceased to issue bank notes; and amendment of 7 & 8 Vict. c. 32.	—
1861	24 Vict. c. 3	An Act to make further provision respecting certain payments to and from the Bank of England, and to increase the facilities for the transfer of stocks and annuities, and for other purposes.	- - - - - - - -	- - - - - - - - - - - -	New arrangement as to payment to bank for management of public debt.
1862	25 & 26 Vict. c. 89	An Act for the incorporation, regulation, and winding up of trading companies and other associations.	Bank partnerships may be ten in number (s. 4, Third Schedule, Part II). Company under Act may be either limited or unlimited. Old companies may come under Act on giving notice to their customers; but limited liability not to apply to notes.	No partnership exceeding ten to be formed for the purpose of banking, unless registered as a company under the Act (s. 4).	*See* 7 Geo. 4, c. 46 (1826), and 7 & 8 Vict. c. 113 (1844). Joint stock companies, as contradisguished from the partnerships under the Act of 1826, were first created by 7 & 8 Vict. c. 113 (1844). The companies thus formed were compelled to register under 20 & 21 Vict. c. 49, the Joint Stock Banking Companies Act, 1857, which was amended so as to allow of banking companies registering with limited liability by 21 & 22 Vict. c. 91 (1858). All the above Acts have been repealed and the companies formed under them have practically been placed under the Act of 1862. The result appears to be this: The companies formed under 7 Geo. 4, c. 46, and not registered since are governed by that Act and their deed of settlement; companies formed under the Act of 7 & 8 Vict. c. 113, or the Joint Stock Banking Companies Acts of 1857 and 1858, are practically governed by the Companies Act, 1862. Those formed under the Act of 1862 are of course entirely subject to its provisions.
1866	29 & 30 Vict. 25	An Act to consolidate and amend the several laws regulating to the preparation, issue, and payment of exchequer bills and bonds.	—	—	—
1872	35 & 36 Vict. c. 34	The Bank of England (election of directors) Act, 1872.	—	—	—

Appendix 2.

Memorandum as to Banking in Scotland.

By Mr. *James Simpson Fleming.*

The existing Scottish banks are 11 in number, and are all joint-stock companies. They are,—

1. The Bank of Scotland.
2. The Royal Bank of Scotland.
3. The British Linen Company Bank.
4. The Commercial Bank of Scotland.
5. The National Bank of Scotland.
6. The Union Bank of Scotland.
7. The Aberdeen Town and County Banking Company.
8. The North of Scotland Banking Company.
9. The Clydesdale Banking Company.
10. The City of Glasgow Bank.
11. The Caledonian Banking Company.

The six banks first mentioned have their head office or principal place of issue in Edinburgh, Nos. 7 and 8 at Aberdeen, Nos. 9 and 10 at Glasgow, and No. 11 at Inverness.

Banking in Scotland has no legal history prior to 1695.

Bank of Scotland, 1695.

By the Act of the Scottish Parliament, Will. 3, Parl. 1, Sess. 5 (17th July 1695), entitled "Act of Parliament for erecting a Bank in Scotland," which recites that "our Soveraign "Lord, considering how useful a publick bank may be in this kingdom, according to the "custom of other kingdoms and states, and that the same can only be best set forth and "managed by persons in company with a joint stock sufficiently indued with these powers "and authorities, and liberties necessary and usual in such cases"; "a joynt stock amount-"ing to the sum of twelve hundred thousand pounds money" (equal to 100,000 *l.* sterling) was allowed "to be raised by the company hereby established for the carrying and manage-"ment of a publick bank." The subscribers to the joynt stock were "declared to be one "body corporat and politick by the name of the Governor and Company of the Bank of "Scotland." Provision was made for the management of the affairs of the bank by a governor, deputy-governor, and 24 directors. It was enacted "that the joynt stock of the "said bank continuing in money shall be free from all publick burden to be imposed upon "money for the space of 21 years after the date hereof, and that during this space it shall "not be leisom to any other persons to enter into and set up a distinct company of bank, "within this kingdom, besides those persons allenarly in whose favors this Act is "granted."

No special authority was conferred by the Act to issue bank notes, but such authority may be implied from the declaration, "that summar execution by horning shall proceed "upon bills or *tickets*" (the ancient Scottish name for bank notes) "drawn upon or granted "by or to and in favours of this bank, and the managers and administrators thereof for "the time."

The capital of the bank was increased to 200,000 *l.* sterling by the Act 14 Geo. 3, c. 32; to 300,000 *l.* by the Act 24 Geo. 3, c. 12; to 600,000 *l.* by the Act 32 Geo. 3, c. 25; to 1,000,000 *l.* by the Act 34 Geo. 3, c. 19; and to 1,500,000 *l.* sterling by the Act 44 Geo. 3, c. 23.

The capital authorised by the last-mentioned Act has all been subscribed, and to the extent of 1,000,000 *l.* has been paid up.

By the Act 36 & 37 Vict. c. 99, the bank was authorised to create and issue additional capital stock to any amount, not exceeding 3,000,000 *l.* sterling, making a total capital of 4,500,000 *l.* sterling, but this extended power has not been exercised.

Royal Bank of Scotland, 1727.

The Royal Bank of Scotland was incorporated by Royal Charter, dated the 31st May 1727, with "full power and liberty to exercise the rights and powers of banking in that "part of the United Kingdom called Scotland only." The capital was not defined. The corporation was to consist of proprietors of the Equivalent Company (which was a company incorporated by letters-patent granted in pursuance of the Act of Parliament 5 Geo. 1, c. 20, entitled "An Act for settling certain yearly funds payable out of the revenues of "Scotland and other uses mentioned in the Treaty of Union, and to discharge the equiva-"lents claimed on behalf of Scotland in terms of the same treaty, and for obviating all "future disputes, charges, and expenses concerning these equivalents"), who were empowered to subscribe such part or share of their stock of the Equivalent Company as they should think proper, for and towards raising a fund for the more effectually carrying on the trade and business of banking. The company was authorised "to keep the money or cash "of any person or persons, bodies politic and corporate whatsoever, and may borrow, owe, "or take up, in Scotland, *on their bills or notes payable on demand,* to be signed in such "manner

Appendix, No. 1.

"manner and by such persons as the court of directors hereinafter mentioned shall direct "and appoint, or in such other manner as the said court of directors shall think fit, any "sum or sums of money whatsoever."

A second Royal Charter was granted to the bank, dated 1st November 1738, which recited that certain of the proprietors of the Equivalent Company had subscribed parts and shares of their stock of that company into the Royal Bank to the extent of 111,000 *l.* The Charter authorised the increase of the capital to the extent of 40,000 *l.*, making a total capital of 151,000 *l.*, "and that either by taking subscriptions of other equivalent stock not "already subscribed into the said bank, or by taking in subscriptions of certain sums of "money upon land security, or any other ways and means," that the directors should judge most safe and beneficial; and it was declared that in case the Parliament of Great Britain should redeem the equivalent stock, the Royal Bank of Scotland should continue for ever as if no such redemption were made.

By a third Charter, dated the 16th day of May 1770, the privileges, authorities, and rights formerly granted to the bank were confirmed, and the directors were empowered to assign and transfer the sum of 111,000 *l.* of equivalent stock originally subscribed into the bank, notwithstanding that the same was incorporated as the stock of the bank, and it was declared that, notwithstanding of such transfers or assignments of equivalent stock, the corporation of the Royal Bank should continue for ever, and the monies arising from such transfers or assignments should be deemed part of the stock of the bank.

The capital of the bank was increased to 300,000 *l.* by a fourth Charter, dated 10th June 1783; to 600,000 *l.* by a fifth Charter, dated 5th June 1788; to 1,000,000 *l.* by a sixth Charter, dated 7th August 1793; to 1,500,000 *l.* by a seventh Charter, dated 31st January 1804; and to 2,000,000 *l.* by an eighth Charter, dated 30th December 1829.

By the Charter last mentioned, the power of the bank to sue and be sued, and its powers of investment were extended and enlarged, and the bank was required to render annually to the Lords Commissioners of the Treasury a certified account, showing the weekly amount of the bank's notes in circulation of each denomination.

By 36 & 37 Vict. c. ccxvii (s. 2), it was enacted that "it shall be lawful for the "Royal Bank to establish a branch for the purpose of carrying on the business of banking "in London, and to take, hold, and dispose of lands and houses, and other real property "and estate for the purpose of such branch; provided that nothing in this Act contained "shall authorise the Royal Bank to issue its own bank notes elsewhere than in Scotland."

The capital of 2,000,000 *l.*, authorised by the Charter of 1829, is fully paid up.

British Linen Company, 1746.

The British Linen Company was incorporated by a Royal Charter, dated 6th July 1746, with "power to carry on the linen manufactory in all its branches, and for that purpose to "employ all necessary artificers, and to buy or sell flax, yarn, and linen, and to do every-"thing that may conduce to the promoting and carrying on the said linen manufacture." The corporation was authorised to raise a capital joint stock not exceeding 100,000 *l.*, and also "to take up money upon bills, bonds, or obligations under their common seal at such "rate of interest from the borrowing thereof as they shall think fit, so as the principal "money which they shall so borrow do not exceed at any time the sum of 100,000 *l.* "sterling."

A second Charter was granted to the company, dated 5th June, 1806, which recites a petition of the company under their seal, setting forth, *inter alia*, "that the said corporation "of the British Linen Company had raised and completed the said capital stock of "100,000 *l.* sterling, and did for some time deal in the linen manufacture at Edinburgh, "and other places in Scotland: That in the first years after the institution of the company, "they found it necessary in making their payments for linen, to issue promissory notes, "payable on demand, and they soon found that they would be of more utility and better "promote the object of their institution, by enlarging the issue of their notes to traders "and manufacturers, than by being traders or manufacturers themselves, and that they had "issued their notes in this way for nearly 60 years; that the petitioners humbly conceived "they could be of still more utility to the country and the trade thereof, if they were "permitted to enlarge their capital by an addition of the sum of 100,000 *l.* to the said "original capital to carry on their business." The Charter authorised the company to enlarge the capital to any sum not exceeding 200,000 *l.*, "to be employed in the same way "and manner and to the same purposes as the said original stock of 100,000 *l.* has been "used and employed under the said former letters patent, and to accomplish the ends of "the institution in manner before mentioned."

By subsequent Charters, the last of which was dated 19th March 1849, power was given to augment the company's capital to any sum not exceeding 1,500,000 *l.* in all, "for the purpose of carrying on the business of banking as heretofore accustomed."

The capital of the British Linen Company already created and paid up is 1,000,000 *l.*

Commercial Bank of Scotland, 1810.

The Commercial Bank of Scotland was established in 1810, and incorporated by a Royal Charter, dated 5th August 1831, "for the purpose of carrying on the business of banking in all its branches." The capital was declared to be 3,000,000 *l.* sterling, to be held and disposed of in the manner mentioned in the deed of partnership of the company, bearing date

date the 31st day of October 1810, and several subsequent dates. It is declared by the Charter "that nothing contained in these presents shall be construed as intended to limit "the responsibility and liability of the individual partners of the said corporation, for the "debts and engagements lawfully contracted by the said corporation, which responsibility "and liability is to remain as valid and effectual as if these presents had not been granted, "any law or practice to the contrary notwithstanding."

The paid-up capital of the Commercial Bank of Scotland amounts to 1,000,000 *l.*

National Bank of Scotland, 1825.

This company was established on 21st March 1825, in terms of a contract of copartnership between and among the partners, by which the capital stock of the company was fixed at 5,000,000 *l.* The bank was incorporated by a Royal Charter, dated the 5th day of August 1831, which contains a declaration as to the liability of the individual partners to the same effect as that in the Charter of the Commercial Bank above quoted.

The capital now paid up amounts to 1,000,000 *l.*

The remaining Scottish banks have all been constituted since the year 1825 as joint-stock companies, under contracts of copartnership, and with the exception of the Caledonian Banking Company have all been registered and incorporated under the Companies Act, 1862. The Union Bank of Scotland as now constituted, although not formed under that name till a comparatively recent date, is the result of the union of several issuing banks, some of which were established in the eighteenth century. It has head offices both in Glasgow and in Edinburgh.

The paid-up capital of these banks is as follows:

	£.
Union Bank of Scotland	1,000,000
Aberdeen Town and County Bank	252,000
North of Scotland Bank	320,000
Clydesdale Bank	1,000,000
City of Glasgow Bank	870,000
Caledonian Bank	125,000

The right to issue bank notes or notes payable to bearer on demand, has from the infancy of Scottish banking been regarded as a common-law right, not only of the great banking corporations, but also of individuals, whose power of issue was, prior to 1844, limited only by their credit with the public, and their ability to maintain their notes in circulation. Accordingly, immediately after the institution of the Bank of Scotland in 1695, that bank began to issue such notes of the values of 100 *l.*, 50 *l.*, 20 *l.*, 10 *l.*, and 5 *l.* The reported case of More *v.* Murray, 25th November 1696 (Brown's Supplement, vol. iv, page 331), shows that such notes were then in active circulation. In 1704 the Bank of Scotland began to issue notes of the value of 20 *s.* From its establishment in 1727, the Royal bank issued notes of various denominations. The case of Crawford, 24th February 1749 (reported in Morrison's Dictionary, p. 875), shows the view then taken by the Court of Session of bank notes. In that case a promissory note of the Bank of Scotland had been stolen, and having subsequently come into the possession of the Royal Bank for value, a competition arose between the Royal Bank and the original owner; and the Court held, "First, "that money is not subject to any *vitium reale*, and that it cannot be vindicated from the "*bonâ fide* possessor, however clear the proof of the theft may be; second, that bank notes, "serving the purposes of money, must be entitled to the same privileges."

See Lawson's History of Banking p. 406.

In the early part of the eighteenth century the Bank of Scotland began to issue notes containing what was called an optional clause, declaring the note to be payable either on demand, or in the option of the issuer, six months after demand, with interest at the rate of five per cent. from the date of demand for payment. Other banking companies followed this example, and notes were issued of as low a denomination as 5 *s.* The consequence was, that coin almost disappeared from Scotland. The optional clause was put an end to by 5 Geo. 3, c. 49 (1765), which prohibited the issue of any bank note "but such as shall "be payable on demand in lawful money of Great Britain, and without reserving any "power or option of delaying payment thereof for any time or term whatsoever," and the issue of promissory notes for less than 20 *s.* was thereby prohibited.

Lawson's History of Banking, p. 414.

Sect. 7, which contains this prohibition, was repealed by Statute Law Revision Act, 1867, as "virtually repealed or superseded; *see* 54 Geo. 3, c. 4, and 57 Geo. 3, c. 46, as to tokens; 8 & 9 Vict. c. 38, ss. 5, 16, 18, 19."

The right of the Bank of Scotland, Royal Bank of Scotland, and British Linen Company "to issue promissory notes for the sums of one pound, one guinea, two pounds, and two "guineas, payable to the bearer on demand," was expressly recognised by 55 Geo. 3, c. 184, as it had previously been by 39 Geo. 3, c. 107, 48 Geo. 3, c. 149.

By 9 Geo. 4, c. 65, the issue of promissory notes for less than 5 *l.* made or issued in Scotland or Ireland, was prohibited in any part of England under severe penalties.

With these exceptions, till the passing of the Act of 1844, there was no legislative interference with what was, till that year, the right at common law of any banking company, and of any individual or body of individuals in Scotland, to make and issue promissory notes, payable to bearer on demand. During the latter half of the eighteenth and the early

Appendix, No. 1.

part of the nineteenth century, this right was exercised by numerous joint-stock companies as well as by private banking copartnerships in various parts of Scotland.

Prior to 1844 all private banks of issue had ceased to exist in Scotland, having been absorbed by one or other of the great joint-stock banks.

7 & 8 Vict c. 32.

The Act of 1844 (sect. 10) enacts "that from and after the passing of this Act no person, "other than a banker, who, on the 6th day of May 1844, was lawfully issuing his own bank "notes, shall make or issue bank notes in any part of the United Kingdom."

This Act was followed by the 8 & 9 Vict. c. 38 (1845), "to regulate the issue of bank "notes in Scotland," under which, since its date, the circulation of the Scotch banks has been conducted. Appended hereto is a copy of the last published "Gazette" return of the circulation of the existing Scotch banks.

The Act 7 & 8 Vict. c. 113, was passed "to regulate joint-stock banks in England," and it was extended to Scotland and Ireland by 9 & 10 Vict. c. 75. These Acts were amended by 17 & 18 Vict. c. 73, and by 19 Vict. c. 3, the period was extended, "for which Her "Majesty may grant letters-patent of incorporation to joint-stock banks in Scotland exist-"ing before the Act of 1846." None of the existing Scotch banks availed themselves of the privileges conferred by these Acts.

Legal doubts as to the right of partnerships trading under a descriptive name to sue under that name (*vide* Culcreugh Cotton Company, 27th November 1822, 2 Shaw, 47; Cabbell *v.* Brock, 13th May 1828, 3 W. S. 75; and Commercial Bank *v.* Pollock's Trustees, 28th July 1828), led to the passing of the Act 7 Geo. 4, c. 67 (1826), "to regulate the mode in "which certain societies or copartnerships for banking in Scotland may sue and be sued." The younger banks being now incorporated by registration under the Companies Act, 1862, are entitled to sue in their corporate name.

Reference may be made to a "Return of the Names of all Banks existing in Scotland on "1st January in the years 1819, 1830, 1845, and 1864 respectively," ordered by the House of Commons to be printed, 29th April 1864, as showing the gradual decrease in the number of banks in Scotland which has resulted from numerous amalgamations. Since the date of that return the Central Bank of Scotland (No. 23) has been united with the Bank of Scotland.

Edinburgh, 1st May 1874. *J. S. Fleming.*

From the "Edinburgh Gazette."

AVERAGE Amount of Bank Notes in Circulation, and of Coin held Four Weeks ending 21st March 1874.

	Head Office, or principal Place of Issue.	Circulation authorised by Certificate.	Average Circulation during Four Weeks ending as above.			Average Amount of Coin held during Four Weeks ending as above.		
			5*l.* and upwards.	Under 5*l.*	TOTAL.	Gold.	Silver.	TOTAL.
		£.	£.	£.	£.	£.	£.	£.
Bank of Scotland	Edinburgh	343,418	193,931	429,219	623,150	286,744	76,561	363,305
Royal Bank of Scotland	Ditto	216,451	215,130	450,745	665,875	472,569	118,540	591,110
British Linen Company	Ditto	438,024	166,163	338,764	504,927	169,670	51,421	221,092
Commercial Bank of Scotland	Ditto	374,880	207,878	511,622	719,501	403,622	53,440	457,063
National Bank of Scotland	Ditto	297,024	159,598	383,080	542,679	363,124	65,003	428,127
Union Bank of Scotland	Ditto	454,346	226,709	499,276	725,985	345,653	80,964	426,617
Aberdeen Town and County Bank	Aberdeen	70,133	74,886	96,804	171,690	122,896	16,647	139,544
North of Scotland Banking Company	Ditto	154,319	141,307	136,620	277,928	151,838	15,359	167,198
Clydesdale Banking Company	Glasgow	274,321	160,120	333,487	493,607	276,469	48,015	324,484
City of Glasgow Bank	Ditto	72,921	205,476	452,940	658,416	592,537	41,913	634,451
Caledonian Banking Company	Inverness	53,434	29,210	55,708	84,918	55,442	6,514	61,956
	£.	2,749,271	1,780,408	3,688,265	5,468,676	3,240,564	574,377	3,814,947

Appendix, No. 2.

PAPER handed in by Mr. *Tatham*, in answer to Question No. 646. Appendix, No. 2

COPIES of Opinions of Sir *James Scarlett*, Sir *Edward B. Sugden*, and Mr. *Richards*, on the Privilege of the Bank of England.—August 1833.

OPINION of Sir *James Scarlett.*

Your Opinion is requested—

1st. Whether, under the existing laws, a Joint Stock Deposit Bank can be established in London, or within 65 miles thereof?

2nd. If Joint Stock Banks of Deposit should be formed, and find it impracticable to prosecute their object without the power of suing in the name of a public officer, could Parliament confer such privilege without a violation of the provision contained in the 39 & 40 Geo. 3, c. 28, s. 15?

Opinion.

If this question turned exclusively upon the words "borrow, owe, or take up money upon their notes or bills, payable on demand, or at a less time than six months," I should have thought it very doubtful whether any number of persons, or any joint stock company, were restrained from any other operation of banking than such as appear to fall precisely within those words, and I own that my impression would have been that joint stock and other companies were not restrained from carrying on any business of banking which might have been consistent with refraining from owing money upon their notes or bills at a less date than six months. But upon consideration of the other words with which these words are connected, and of the provisions in the earlier Acts of Parliament relating to the Bank of England, I am obliged to come to a very different conclusion; and upon the best consideration I have been able to give to the subject, it is my opinion that the words above cited were intended to restrain such corporations or societies as did not profess to be banks, from interfering with that part of the business of the Bank of England which consisted of issuing notes payable on demand, or at short dates; in other words, that the establishment of rival banks was understood to be generally prohibited by other provisions, and that these words were introduced as a cumulative protection, and in order to defeat an evasion that had been attempted of one of the exclusive privileges of the Bank.

The statute of 8 & 9 Will. 3, c. 20, s. 18, enacts, "That during the continuance of the corporation of the Governor and Company of the Bank of England, no other bank* or any other corporation, society, fellowship, company, or constitution in the nature of a bank, shall be erected, established, permitted, suffered, countenanced, or allowed by Act of Parliament within this kingdom." This clause is surely inconsistent with a declaration by Act of Parliament that corporations or joint stock companies may lawfully transact any part of the business of a bank.

The statutes which follow this of Will. 3 continue the corporation and the exclusive privileges of the Bank of England from time to time; and it is remarkable that the very next statute which passed upon the subject, viz., 6 Anne, c. 22, s. 9, recites the occasion of first introducing those words upon which the doubt now arises, and which I have cited at the commencement of this Opinion. I think it cannot be supposed, upon looking at this statute of Queen Anne, that it was the intention of the Legislature to diminish any exclusive privilege the Bank then possessed, except so far as by implication, a permission was given to a number of partners, not exceeding six, to owe and take up money upon their notes.

On

* I apprehend that the term *Bank* was not, at the time of this statute, applied to what is now an ordinary bankers' shop; these were called goldsmiths' shops, and the word *bank* implied a something in the nature of an establishment formed by general subscription or public authority. This is illustrated by the words in the same clause "*company* or *constitution*" *in the nature* of a bank. A private banking establishment was therefore not called a *bank*, but if it consisted of a large number of persons, was called a company or *constitution* in the nature of a bank.

J. S.

Appendix, No. 2.

On the contrary, the statute recites in the preamble to the clause the former enactment of 8 & 9 Will. 3, which the Legislature appears to have thought a sufficient prohibition of all parts of the business of banking by other corporations or societies than the Bank of England, and then adds the words, "Nevertheless, since the passing of the said Act, some corporations, by colour of their charters, and other great number of persons, by pretence of deeds or covenants, united together, have presumed to borrow great sums of money, and therewith, contrary to the said Act, to *deal as a bank*, &c., &c. Now for the prevention thereof, be it enacted, that it shall not be lawful for any body, politic or corporate, whatsoever, other than the Bank of England, or for other persons whatsoever, united, or to be united, in covenants or partnership exceeding the number of six persons, to borrow, owe, or take up any sums of money on their bills or notes, payable on demand, or at any less time than six months from the borrowing thereof." Now upon consideration of these words, here for the first time introduced with reference to the former Act of King William, and to the recitals in the preamble of the clause in the statute of Anne, where these words are introduced, one of two conclusions appears to my judgment inevitable; either the Legislature considered the whole operation and essence of *dealing as a bank* to consist of borrowing and owing money upon notes and bills at short dates, and in that case it meant by these words to prohibit banking altogether by any corporation or partnership exceeding six, or it considered this traffic in borrowing money as only a *part* of the operation of banking, in which case it must have been the opinion of the Legislature that the Act of King William, which it referred to and recited, had been found sufficient to protect the Bank from all other competition in the business of banking, excepting that described by the words of the further prohibition now introduced. The words in question, therefore, were not, and could not, be intended to limit or diminish the exclusive privileges of the Bank of England, but *more effectually* to protect them, by prohibiting not only all professed rival *banks of deposit*, but all corporations or societies which, under other names, and with other professed objects, had evaded the statute of Will. 3, by undertaking to *deal in that part* of the business of the Bank which consisted of issuing notes or bills for money borrowed.

Now these words, when repeated in subsequent statutes, which in general terms confirm the privileges of the Bank of England, cannot be interpreted in a different sense from that which they bear in the statute from which they were copied, and when they were fully explained by the preamble and the reference to the Act of 8 & 9 Will. 3. I must therefore state it as my opinion, that so far as these words go, when rightly understood, they do by no means justify a conclusion that the Legislature intended to confine the exclusive privilege of the Bank of England to the power of issuing notes or bills at short dates, and to leave open to all other corporations or societies the power of doing any other of the proper business of a bank.

But then comes the statute of the 15 Geo. 2, c. 13, which, after enacting in general terms that the Bank of England shall have the exclusive privilege of banking as a corporation, proceeds in the 15th section to enact as follows:—"To prevent any doubts that may arise concerning the privilege or power given by former Acts of Parliament to the Governor and Company of the Bank of England, *of exclusive banking*, and also in regard to the erecting any other bank or banks by Parliament, or restraining other persons from banking during the continuance of the said privilege granted to the Governor and Company of the Bank of England as aforesaid, be it enacted that it is the true intent and meaning of this Act that no other bank shall be *erected, established*, or *allowed* by Parliament, and that it shall not be lawful for any body, politic or corporate" (here the words of the statute of Anne are copied), "during the continuance of such said privilege to the said Governor and Company, who are hereby declared to be and remain a corporation, with the privilege of exclusive banking, as before recited," &c., &c.

Now this Act, the terms of which are adopted in those which follow it upon the same subject, appears to me, when taken together with and in reference to the former Acts, to confirm the opinion I have formed upon the effect of those former Acts. It professes a design to remove all doubts as to the *exclusive privilege of banking* given to the Bank of England, and as to the restraining other persons from *banking*, it declares that no other bank shall be erected, established, or *allowed* by Parliament. And it finally declares that the Bank of England is to be and remain a corporation, with the privilege of *exclusive* banking. It is manifest that the words *bank* and *banking* are here used in the most universal sense that can be applied to them, embracing as well that part of the business of banking which consists of receiving deposits, as that which consists of issuing notes or bills for money borrowed. How, then, can it be consistent with the direct enactment that this exclusive privilege of banking, as well by the one mode as the other, shall belong to the Bank of England, to declare by a subsequent Act that it was intended to confine the exclusive privilege only to the borrowing money upon notes and bills, and to leave that of accepting deposits open to all the world? It is plain therefore, to my apprehension, that the words copied into this and the subsequent Acts from the statute of 6th Anne, c. 22, cannot be subjected to a new and different interpretation from that which I have suggested as belonging to them in that statute; but, on the contrary, that the accompanying words and clauses in the more modern Acts tend to corroborate the conclusion that the general exclusive power of banking in all its branches was prohibited to all other corporations, or societies, or companies, than the Governor and Company of the Bank of England, and that the better to secure and protect that exclusive privilege in the Bank, all other corporations or societies exceeding six in number, whatever might be their professed objects, should be restrained

restrained from owing money upon notes or bills at short dates, and therewith or thereby *dealing* in any respect as banks.

2. It follows from what I have stated as my opinion on the first query, that any facility given by Parliament to any operation of banking by a Joint Stock Company, would be a direct violation of the words and spirit of the statute of 39 & 40 Geo. 3, c. 28, s. 15.

I must add, in concluding, that after what has been stated of the doubts which exist on these points, it becomes me to express more diffidence in the opinion I entertain upon them, than I should otherwise have felt.

J. Scarlett,
Abinger Hall.

15 August 1833.

OPINION of Sir *Edward B. Sugden* and Mr. *Richards.*

YOUR Opinion is requested—

1st. Whether, under the existing laws, a Joint Stock Deposit Bank can be established or in London within 65 miles thereof?

2nd. If Joint Stock Banks of Deposit should be formed, and find it impracticable to prosecute their object without the power of suing in the name of a public officer, could Parliament confer such a privilege without a violation of the provision contained in the 39 & 40 Geo. 3, c. 28, s. 15?

OPINION.

WE are of opinion that, under the existing laws, a partnership or company exceeding six persons, cannot carry on a Joint Stock Deposit Bank in London, or within 65 miles thereof. The original provision was, that the Bank of England, and no other bank or any other corporation, &c. in the nature of a bank, should be allowed by Act of Parliament within the kingdom. This was the only provision. It was treated as clear that no bank, properly so called, could be established without the authority of Parliament. As this exclusive privilege was broken in upon by corporations, and great numbers of persons presuming to borrow great sums, and therewith, *contrary to the intent of the Act,* dealing as a bank, the prohibition was enacted against any other corporation than the bank, or any other persons exceeding six in number, borrowing, owing, or taking up any sum of money on their bills or notes, payable at any less time than six months from the borrowing thereof. This was a fence thrown around the former provision, but in no manner weakened its original force. The prohibition is not confined to bankers, but extends to all corporations and companies. These two provisions were repeated in later times. No other bank was to be erected, established, or allowed by Parliament, and the Bank of England was to be and remain a corporation "with the privilege of exclusive banking." This exclusive privilege was so far limited by the 7 Geo. 4, as to allow any corporation erected for the purposes of banking, or any number of persons in partnership, although exceeding six in number, to carry on the business of bankers in England, and to make and issue their bills at any place in England, exceeding 65 miles from London. This exception still left the former prohibitions untouched as regarded bankers within 65 miles of London, and the Act, creating the exception, carefully reserved to the bank all their other rights. The Government now professing only to clear up doubts which exist as to the construction of the Bank Acts, proposes to enact, that any corporation or partnership, although consisting of more than six persons, may carry on the business of banking in London, or within 65 miles thereof, with a repetition of the prohibition against their borrowing any money on their bills payable at any less time than six months. We are clearly of opinion that this would be a direct violation of the rights of the Bank of England. If we contrast the present law with the law as it is proposed (*in order to clear up doubts*) to be declared, it would stand thus:—

The present Law.	*The Law now proposed.*
The Bank of England to be the only bank authorised by Parliament to have the exclusive privilege of banking.	The Bank of England not to be the only bank allowed by a Parliament.
No other corporation, nor any company exceeding six persons, to borrow, &c., any money on bills payable in less than six months.	But Parliament now to declare that any corporation or partnership, although exceeding six persons, may carry on the trade of banking anywhere in England.
Unless their establishment is more than 65 miles from London, and that their bills are issued at a greater distance from London than 65 miles.	With a simple prohibition against their borrowing any money upon their bills payable in less than six months, if they carry on their trade in London, or within 65 miles of it.

Appendix, No. 2.

This, in our opinion, is entirely to change the law under the colour of clearing up doubts upon it. The exclusive privileges of the Bank of England are not confined to its powers as a bank of issue, but extend as well to its rights as a bank of deposit; and the policy of our Government has hitherto forbidden the establishment of joint stock banks, even of deposit. If the law were as it is proposed to be declared, the provisions in the various Bank Acts could not have assumed their present shape. At the very outset the right of Parliament to allow the establishment of banks of deposit must have been declared, and more especially, the 7th of Geo. 4 could not have been framed as it stands. It enables the establishment of banks in England consisting of more than six persons, and authorises them to issue bills at any place exceeding 65 miles from London, provided that they have no house of business as bankers in London, or at any place not exceeding 65 miles from London.

The first provision, therefore, as to establishing banks, is general and without restraint, and the power to issue bills at any place exceeding 65 miles from London is also general; but the prohibition limits the last-mentioned power to firms, all of whose establishments are more than 65 miles from London.

Now, if the new view be the correct one, the power to issue bills payable in less than six months, would have been confined, in the first instance, to those bankers who carried on their business wholly at a distance exceeding 65 miles from London, and there would have been no prohibiting proviso. It is quite clear that neither the framers of the various Bank Acts, nor the Legislature in passing those Acts, took the view of the law which the Government now considers the correct one, and the general opinion of the community has always been against the right now claimed. This is proved in the strongest manner by the acts of the monied men in England, contrary to their wishes and interests. Great weight, surely, is due to an universal practice during a century and a quarter, and contemporaneous usage has always been considered to be entitled to great attention.

If the Bank Acts could have borne the construction now put upon them, is it not probable that some of the vast capital thrown away in late years in bubble companies would have been applied to the object of joint stock deposit banks in London? It may be right to observe that the private trade of bankers, who succeeded to the goldsmiths, is not prohibited by the Bank Acts. Their establishments, as they are conducted, do not constitute a *bank* within the provision of the Acts. But they have in practice been confined to six persons. This does not arise from any express prohibition, but may have been occasioned by the prohibition against more than six persons owing any money on any bill payable in less than six months, which practically may interfere with the common course of a private banking business, or it may, by an easy analogy, have been considered that an establishment of a company of more than six for any banking purpose, would be a bank struck at by the Acts of Parliament. It is manifest that even a bank of deposit could not be managed without some Parliamentary or Royal sanction. Of course no Royal sanction could be given to any such bank whilst the present Bank Acts remain unrepealed; but the proposed *declaration* would give a Parliamentary sanction to such establishments, and that would obviously lead to other provisions in their favour. The 7th Geo. 4 is a Parliamentary recognition that a bank of more than six could not have been established without the aid of the Legislature, for it starts with an enactment authorising the establishment and carrying on of such banks "*in like manner as co-partnerships of bankers consisting of not more than six persons in number may lawfully do,*" and the Government in the first draft of their Bill so treated the law. Upon the whole, in our opinion, the proposed clause is not a declaration, as it professes to be, of the existing law, but a repeal of that law and a substitution of a new one, and is in plain opposition to the terms of the contract as originally proposed by the Government to the bank.

16 August 1833.

Edwd. B. Sugden.
Griffith Richards.

Appendix, No. 3.

PAPER handed in by Mr. *Davidson*, 6th May 1875. Appendix, No. 3.

(In answer to Question 805.)

Exchanges of Notes.

By agreement among the banks, exchanges of notes are held in every town where two or more of the banks have branches; in every instance, once a week, on Saturday; at the larger towns, twice a week; and at Edinburgh and Glasgow, three times a week. The Rules of the Exchange provide that no bank shall issue another bank's notes, that the settlement of the Glasgow and County Exchanges shall be made by draft on demand on Edinburgh, and that the general balances of the whole exchanges and clearing shall be settled at Edinburgh by draft on London, at 5/8 day's date. The Bank of Scotland and the Royal Bank of Scotland undertake the settlements each alternate month, but without incurring any responsibility.

Clearing Houses

For demand documents are established in Aberdeen, Dundee, Glasgow, Leith, and Edinburgh. The clearings take place daily at ordinary seasons, and at the money terms of Whit-Sunday and Martinmas, twice daily. The final settlements of the exchanges and clearing are made by draft on London, at 5/8 day's date, as previously stated.

North Country Bank Notes

Are retired in like manner at the local exchanges, and at the Edinburgh and Glasgow Exchanges by the banks, their agents.

TABLE OF INTEREST, DISCOUNT, AND CHARGES.

I. Interest on Money Lodged.

The Rates to be fixed, from time to time, at Meetings of the Banks to be held in Edinburgh.

Note.—No Interest to be paid on other than regular operative Accounts, unless the money has been lodged a month. Savings Banks and Friendly Societies may, according to the discretion of each Bank, be allowed ½ per cent. more, when the ordinary rate is not above 2½ per cent.

II. Interest on Advances on Current Accounts.

The Rates to be fixed, from time to time, at Meetings of the Banks to be held in Edinburgh; but the charge on *Overdrafts* on Cash or Deposit Accounts may be limited to the Cash Account Rate *in special cases in which this is sanctioned by the Bank* in consideration of security being held or otherwise.

III. Discount and Commission on Bills.

The Rates of Discount to be fixed, from time to time, at Meetings of the Banks to be held in Edinburgh.

The following Rates of Commission to be charged on Bills other than Local, in addition to the Discount:—

On Bills payable in Scotland - -	1 *s.* 3 *d.* per cent. Charge on any one Bill above 600 *l.*, discretionary, but not less than 7 *s.* 6 *d.*
On Bills payable in London - - -	No Commission.
On Bills payable in Liverpool and Manchester - - - - - - -	2 *s.* per cent.
On Bills payable elsewhere in England, or in Ireland - - - - -	3 *s.* per cent.

Note.—Days of grace to be charged.

Exempt from Charge.—1. Bank of England Post Bills.

2. Bills on London not having more than four days to run, inclusive of days of grace.

On Bills payable on the Continent of Europe at "*Exchange as per endorsement*" - - - - - - -	Discounted Bills—10 *s.* per cent in lieu of Discount. Bills lodged, 5 *s.* per cent., in addition to charges paid out by Bank.

IV. Charges for negociating Documents Payable on Demand.

On Cheques and Drafts on *Bankers* in Scotland, payable in towns *at a distance exceeding* 15 *miles by the ordinary route* - - - - - - - -	For each 25 *l.*, or part of 25 *l.*, up to 100 *l.* - - - - 6 *d.* For each additional 25 *l.*, or part of 25 *l.*, up to 900 *l.* - - 3 *d.* For each additional 50 *l.*, or part of 50 *l.* - - - - 3 *d.*	Maximum charge, 15 *s.*
On all other Cash Documents payable in towns in Scotland *at a distance exceeding* 15 *miles by the ordinary route* -	2 *s.* 6 *d.* per cent. Commission up to 400 *l.* Minimum charge, 6 *d.* On each additional 50 *l.*, or part of 50 *l.* - - - - 6 *d.*	Maximum charge, 20 *s.*

IV. Charges for negociating Documents Payable on Demand—*continued.*

On Cheques and Drafts on Bankers and on Cash Documents payable in towns in Scotland *at a distance* not *exceeding* 15 *miles by the ordinary route* - -	For sums of 50 *l.*, and under - - - - - - 6 *d.* For sums above 50 *l.*, and not above 100 *l.* - - - - 1 *s.* For each additional 100 *l.*, or part of 100 *l.*, up to 900 *l.* - 6 *d.* For each additional 100 *l.*, or part of 100 *l.* - - - 3 *d.* Maximum charge, 10 *s.*
On Documents payable in London -	No Commission.
On Documents payable in Liverpool or Manchester - - - - - -	2 *s.* per cent. Minimum charge, 6 *d.*
On Documents payable elsewhere in England, or in Ireland - - -	3 *s.* 6 *d.* per cent. Ditto.

Exempt from Charge.—Cheques drawn by the Bank's customers on any other Office of the Bank, when presented by themselves *in person*, or by their *Travellers*, *Clerks*, *Servants*, or *Members of their families*, but not by local Agents or others; also Cheques on the Free Church Sustentation Fund, issued in favour of Free Church Clergymen.

Note.—Cheques on English Provincial Banks, bearing a printed reference to their London Agents, may, if specially desired by Endorser, be cashed free of charge, and negotiated through the London County Clearing House, in place of being sent direct for presentation. This can only be done, however, on the Endorser granting a letter of indemnity against risk of loss through such negotiation.

V. Charges for granting Drafts and making Transfers by Advice.

On the Bank's Correspondents in London	Drafts payable *on demand*:— For sums up to 600 *l.*, 2 *s.* per cent.; maximum charge, 6 *s.*; minimum charge, 6 *d.* For sums above 600 *l.*, 1 *s.* per cent. The Stamp to be charged in addition, and each Draft or Transfer to be charged for separately. Drafts payable at "10 *days*, *after date*" to be charged the Stamp only. When at a shorter currency, or at a currency to cover the expense of the Stamp, the difference to be reckoned at the deposit receipt rate. Transfers by advice to be made free, if payment be postponed 13 days. Drafts by remittance of *Government Revenue* to be granted at 11 days' date, free of Stamp duty.
On the Bank's Correspondents in Liverpool and Manchester - - - -	Drafts payable *on demand*, 2 *s.* per cent., the purchaser paying the Stamp. Minimum charge, 6 *d.* Drafts *at a currency*—the same as similar Drafts on London.
On the Bank's Correspondents elsewhere in England and in Ireland - - -	3 *s.* per cent. Commission; the purchaser paying the Stamp. Minimum charge, 6 *d.*

On the Bank's Head Office, Branches, or Correspondents in Scotland, *when the distance exceeds* 15 *miles by the ordinary route* - - - - - - - -	For sums of 5 *l.* and under - - - - 3 - - - - - -		Purchaser paying the Stamp.
	Above 5 *l.* and under 50 *l.* - - - - 6 - - - - - -		
	Above 50 *l.*, and not above 100 *l.* - - 1 - - - - - -		
	For each additional 100 *l.*, or part of 100 *l.*, up to 1,400 *l.* - - - - - 6 - - - - - -		
	For each additional 100 *l.*, or part of 100 *l.* - 3	Maximum charge, 15 *s.* -	
On ditto - ditto - *when the distance does* not *exceed* 15 *miles by the ordinary route* - - - - - -	Same rate of charge up to 600 *l.* - - - - - - - - -		
	For each additional 100 *l.*, or part of 100 *l.*, 3 *d.*	Maximum charge, 7 *s.* 6 *d.*	

Note.—Drafts for remittance of the proceeds of Bills payable in Scotland, discounted to English customers, to be subject to the full charge.

Exempt from Charge.—1. Drafts on the Branches purchased by Collectors of Revenue, as such, and Remittances for Religious and Charitable purposes. On these the Stamp alone to be charged.

2. Transfers of sums paid in by Customers *personally*, or by their *Travellers*, *Clerks*, *Servants*, or *Members of their families* (but not by Local Agents or others), for their credit at another Office of the Bank; the Stamp to be charged when a Draft is given.

VI. Other Charges.

On Retiring Bills in London - -	2 *s.* 6 *d.* per cent. with Interest due. The following modified charges may be made, at the option of each Bank, in the case of customers having large transactions, viz.:— For the first 50,000 *l.* in any one year - - - 2 *s.* 6 *d.* per cent. For the second 50,000 *l.* in any one year - - 1 *s.* 6 *d.* per cent. For the excess beyond 100,000 *l.* in any one year - 1 *s.* per cent. } Chargeable at the end of the year.
On Retiring Bills in Scotland - -	3 *s.* per cent. with Interest due.
On Drafts on Demand against Credits with London Correspondents - -	
On Purchases of Government or other Stocks, in London - - - -	
On Bills payable in England or Ireland recalled before maturity - - -	2 *s.* 6 *d.* per cent. Bills recalled for non-acceptance only, discretionary.
On Discounted Bills or other Documents, returned dishonoured - -	5 *s.* per cent. with Interest due.
On acceptances by the Bank, or their London Correspondents, of Foreign Bills, payable in London - - -	If not exceeding 3 months in currency - - - - 5 *s.* per cent. with Interest due, if secured by a lodgment of the amount in Deposit Receipt. 10 *s.* per cent. with Interest due, if on other security. If exceeding 3 months in currency - - - - 5 *s.* per cent. with Interest due, if secured by a lodgment of the amount in Deposit Receipt. 15 *s.* per cent. with Interest due, if on other security.
On Bills or other Documents lodged for Collection - - - - - -	If paid, same Commission as on similar Documents discounted. If dishonoured, half as much as on similar discounted Documents dishonoured.
On Pay, Dividends, or Annuities drawn by London Correspondents, except for regular customers - - - -	2 *s.* 6 *d.* per cent. Minimum, 1 *s.* Maximum, 5 *s.*
On Powers of Attorney taken out, and Wills or Deaths proved for Transfer of Stock, &c. - - - - -	Discretionary, according to trouble, but not less than 2 *s.* 6*d.* each.

Note.—Bills and other documents *not having more than Five days to run* to be cashed by the Banks with each other without charge. The usual discount to be charged for the additional days on Bills of longer currency.

In all matters of Charges, Berwick-on-Tweed to be treated as a *Scotch* town.

Questions as to the true meaning of any part of the Scale shall be decided at Meetings of the Banks to be held in Edinburgh.

(In answer to Questions 813 and 836.)

Position of the Scotch Banks as per last Annual Accounts.

Banks.		Liabilities: Paid-up Capital.	Reserve Fund.	Undivided Profits.	Note Circulation.	Drafts at Short Dates.	Acceptances.	Deposits.	General Total.	Assets: Gold and Silver Coin and Notes of other Banks.	Government Securities, Cash with London Bankers, and Short Loans in London.	Indian Government and other Stocks and Investments.	Liabilities of Customers for Acceptances.	Bank Premises.	Bills Discounted and other Advances.	General Total.
		£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
Bank of Scotland - -	Feb. 1875	1,000,000	385,000	86,000	626,000	179,000	1,443,000	10,632,000	14,352,000	426,000	3,226,000	296,000	1,443,000	195,000	8,766,000	14,352,000
Royal Bank - - -	Sept. 1874	2,000,000	500,000	116,000	865,000	388,000	423,000	10,063,000	14,355,000	951,000	2,034,000	767,000	- -	171,000	10,431,000	14,355,000
British Linen Company -	April 1874	1,000,000	350,000	120,000	676,000	178,000	329,000	7,703,000	10,357,000	513,000	(1) 1,685,000	537,000	- -	129,000	7,493,000	10,357,000
Commercial Bank - -	Oct. 1874	1,000,000	407,000	90,000	785,000	- -	(2) 433,000	9,503,000	12,218,000	606,000	2,265,000	612,000	- -	148,000	8,585,000	12,218,000
National Bank - - -	Oct. 1874	1,000,000	400,000	178,000	588,000	- -	1,224,400	10,874,000	14,265,000	475,000	2,900,000	251,000	- -	124,000	10,515,000	14,265,000
Union Bank - - -	April 1875	1,000,000	380,000	173,000	776,000	(1) 206,000	219,000	9,608,000	12,363,000	586,000	2,099,000	878,000	- -	155,000	8,645,000	12,363,000
Clydesdale Bank - -	Dec. 1874	1,000,000	500,000	165,000	717,000	(1) 199,000	256,000	6,519,000	9,356,000	(2) 1,005,000	1,705,000	- -	- -	(4) 173,000	6,471,000	9,356,000
City of Glasgow Bank -	June 1874	1,000,000	423,000	142,000	898,000	217,000	793,000	8,162,000	11,636,000	957,000	1,877,000	- -	- -	(5) 216,000	8,586,000	11,636,000
Caledonian Bank - -	June 1874	125,000	62,000	12,000	113,000	- -	- -	1,043,000	1,355,000	(3) 184,000	247,000	(6)	- -	27,000	897,000	1,355,000
North of Scotland Bank -	Sept. 1874	320,000	85,000	29,000	397,000	- -	- -	2,465,000	3,296,000	(3) 357,000	564,000	- -	- -	40,000	2,333,000	3,296,000
Aberdeen Town and County Bank - - - -	Jan. 1875	252,000	115,000	23,000	193,000	- -	- -	1,829,000	2,412,000	(3) 240,000	251,000	- -	- -	40,000	1,880,000	2,412,400
	£.	9,697,000	3,607,000	1,134,000	6,634,000	1,367,000	5,120,000	78,401,000	105,965,000	6,300,000	18,853,000	3,341,000	1,443,000	1,418,000	74,602,000	105,965,000

(1) Includes balances due to correspondents.

(2) Includes Drafts outstanding.

(1) Includes Bank of England stock.

(2) Includes cash balances with London and County Bankers.

(3) Includes balances due by correspondents.

(4) Includes 62,000 *l.* yielding rent.

(5) Includes advances on Heritable Property

(6) Includes "other securities."

Note.—The Columns "General Totals" represent the actual Totals of the Balance Sheets in Thousands, but are not intended to cross them exactly with the others.

(In answer to Question 791.)

NOTE CIRCULATION. - - - - - -

DAILY NOTE CIRCULATION of Five of the SCOTCH BANKS (*after* giving effect

DAYS.		BANK OF SCOTLAND.			ROYAL BANK.			BRITISH LINEN COMPANY.		
		Under £.5.	£.5 and upwards.	TOTAL.	Under £.5.	£.5 and upwards.	TOTAL.	Under £.5.	£.5 and upwards.	TOTAL.
		£.	£.	£.	£.	£.	£.	£.	£.	£.
Monday - -	March 29	400,941	183,255	584,196	419,299	215,080	634,379	325,617	152,515	478,132
Tuesday - -	„ 30	392,783	192,765	585,548	415,029	223,640	638,669	323,042	164,740	487,782
Wednesday -	„ 31	396,454	199,015	595,469	413,629	223,775	637,404	320,837	186,735	507,572
Thursday - -	April 1	396,667	190,470	587,137	421,127	229,895	651,022	317,969	179,920	497,889
Friday - -	„ 2	399,981	166,425	566,406	431,862	239,760	671,622	323,627	189,170	512,797
Saturday - -	„ 3	429,241	196,275	625,516	444,226	228,015	672,241	329,990	152,565	482,555
Monday - -	„ 5	418,626	206,025	624,651	437,389	227,660	665,049	326,141	159,715	485,856
Tuesday - -	„ 6	412,999	208,550	621,549	434,327	241,650	675,977	329,651	176,525	506,176
Wednesday -	„ 7	404,472	219,105	623,577	426,130	243,955	670,085	325,753	210,130	535,883
Thursday - -	„ 8	405,693	217,860	623,553	425,451	239,395	664,846	318,044	158,055	476,099
Friday - -	„ 9	407,786	185,885	593,671	436,131	227,530	663,661	324,793	159,170	483,963
Saturday - -	„ 10	429,228	192,025	621,253	447,469	219,820	667,289	336,272	145,975	482,247
Monday - -	„ 12	417,140	197,325	614,465	441,727	220,760	662,487	335,969	165,995	501,964
Tuesday - -	„ 13	410,713	203,810	614,523	433,253	221,540	654,793	331,817	160,695	492,512
Wednesday -	„ 14	406,075	205,565	611,640	436,029	229,150	665,179	317,906	165,545	483,451
Thursday - -	„ 15	399,625	199,340	598,965	425,088	231,830	656,918	314,559	152,680	467,239
Friday - -	„ 16	397,973	173,995	571,968	425,850	227,610	653,460	323,035	166,965	490,000
Saturday - -	„ 17	422,072	193,340	615,412	438,068	223,055	661,123	329,823	151,950	481,773
Monday - -	„ 19	414,824	200,185	615,009	433,179	232,105	665,284	323,041	154,030	477,071
Tuesday - -	„ 20	406,016	197,135	603,151	423,930	239,420	663,350	326,156	165,375	491,531
Wednesday -	„ 21	407,167	208,860	616,027	417,363	232,085	649,448	323,854	188,625	512,479
Thursday - -	„ 22	399,545	196,985	596,530	411,593	231,970	643,563	309,745	172,490	482,235
Friday - -	„ 23	401,750	179,350	581,100	428,393	228,100	656,493	321,153	159,045	480,198
Saturday - -	„ 24	423,727	192,840	616,567	446,096	225,025	671,121	332,156	149,845	482,001
Four Weeks' TOTAL -	£.	9,801,498	4,706,385	14,507,883	10,312,638	5,502,825	15,815,463	7,790,950	3,988,455	11,779,405
DAILY AVERAGE for the Four Weeks -	£.	408,396	196,099	604,495	429,693	229,284	658,977	324,623	166,185	490,808

AVERAGE OF	Under £.5.	£.5 and upwards.	TOTAL.
	£.	£.	£.
Four Mondays - - - -	2,168,817	1,025,335	3,194,152
„ Tuesdays - - - -	2,148,009	1,062,742	3,210,751
„ Wednesdays - - -	2,116,899	1,089,649	3,206,548
„ Thursdays - - - -	2,102,608	1,064,975	3,167,583
„ Fridays - - - -	2,122,762	1,038,097	3,160,859
„ Saturdays - - - -	2,213,037	1,019,152	3,232,189

(In answer to Question 791.)

- - - - - - - NOTE CIRCULATION.

to Daily Exchanges) for the Four Weeks from Monday 29th March to Saturday 24th April 1875, inclusive.

	COMMERCIAL BANK.			UNION BANK.			TOTAL DAILY CIRCULATION.		
	Under £. 5.	£. 5 and upwards.	Total.	Under £. 5.	£. 5 and upwards.	Total.	Under £. 5.	£. 5 and upwards.	Total.
	£.	£.	£.	£.	£.	£.	£.	£.	£.
1	511,620	188,060	699,680	473,917	235,475	709,392	2,131,394	974,385	3,105,779
2	493,167	201,590	694,757	474,271	246,805	721,076	2,098,292	1,029,540	3,127,832
3	482,709	213,730	696,439	470,733	243,690	714,423	2,084,362	1,066,945	3,151,307
4	479,512	213,640	693,152	471,918	252,535	724,453	2,087,193	1,066,460	3,153,653
5	496,811	214,820	711,631	468,949	245,270	714,219	2,121,230	1,055,445	3,176,675
6	519,927	213,240	733,167	496,462	239,055	735,517	2,219,846	1,029,150	3,248,996
7	515,424	206,680	722,104	487,853	250,830	738,683	2,185,433	1,050,910	3,236,343
8	510,323	229,635	739,958	496,735	249,650	746,385	2,184,035	1,106,010	3,290,045
9	508,534	205,975	714,509	484,761	260,640	745,401	2,149,650	1,139,805	3,289,455
10	502,221	217,880	720,101	472,808	248,035	720,843	2,124,217	1,081,225	3,205,442
11	491,828	216,485	708,313	480,530	240,810	721,340	2,141,068	1,029,880	3,170,948
12	521,667	213,625	735,292	499,909	229,625	729,534	2,234,545	1,001,070	3,235,615
13	514,587	204,790	719,377	487,507	245,045	732,552	2,196,930	1,033,915	3,230,845
14	507,345	214,760	722,105	488,344	251,305	739,649	2,171,472	1,052,110	3,223,582
15	489,697	209,290	698,987	470,776	248,105	718,881	2,120,483	1,057,655	3,178,138
16	506,195	213,620	719,815	474,122	258,420	732,542	2,119,589	1,055,890	3,175,479
17	492,679	214,300	706,979	473,901	249,825	723,726	2,113,438	1,032,695	3,146,133
18	514,038	212,470	726,508	490,044	239,905	729,949	2,194,045	1,020,720	3,214,765
19	511,594	206,225	717,819	478,872	249,585	728,457	2,161,510	1,042,130	3,203,640
20	504,842	217,855	722,697	477,293	243,525	720,818	2,138,237	1,063,310	3,201,547
21	500,481	221,760	722,241	464,237	242,860	707,097	2,113,102	1,094,190	3,207,292
22	492,827	210,875	703,702	465,724	244,005	709,729	2,079,434	1,056,325	3,135,759
23	489,284	215,235	704,519	474,732	252,640	727,372	2,115,312	1,034,370	3,149,682
24	511,972	212,540	724,512	489,761	245,420	735,181	2,203,712	1,025,670	3,229,382
	12,069,284	5,089,080	17,158,364	11,514,159	5,913,060	17,427,219	51,488,529	25,199,805	76,688,334
	502,886	212,045	714,931	479,757	246,378	726,135	2,145,355	1,049,992	3,195,347
						General Daily Average - - - £.	429,071	209,998	639,069

Daily Average Circulation of Five of the Scotch Banks for 24 Days, to 24th April 1875; also, General Daily Average of the Whole.

BANKS.	Under £.	£.5 and upwards.	Totals.
	£.	£.	£.
Bank of Scotland - - - - -	408,396	196,099	604,495
Royal Bank - - - - - -	429,693	229,284	658,977
British Linen Company - - - -	324,623	166,186	490,809
Commercial Bank - - - - -	502,886	212,045	714,931
Union Bank - - - - - -	479,757	246,378	726,135
General Daily Average - £.	429,071	209,998	639,069

NOTE CIRCULATION. - - - - - -

Daily Note Circulation of the Five following Banks (*before* giving effect to Daily Exchanges)

DAYS.		BANK OF SCOTLAND.			ROYAL BANK.			BRITISH LINEN COMPANY.		
		Under £. 5.	£. 5 and upwards.	Total.	Under £. 5.	£. 5 and upwards.	Total.	Under £. 5.	£. 5 and upwards.	Total.
		£.	£.	£.	£.	£.	£.	£.	£.	£.
Monday - -	March 29	431,217	236,180	667,397	450,254	267,210	717,464	347,054	201,320	548,374
Tuesday - -	„ 30	408,523	254,970	663,493	431,397	287,180	718,577	334,066	210,750	544,816
Wednesday -	„ 31	414,194	279,805	693,999	429,491	289,965	719,456	333,013	240,240	573,253
Thursday - -	April 1	410,763	265,655	676,418	435,811	308,060	743,871	329,062	236,620	565,682
Friday - -	„ 2	414,366	244,390	658,756	445,472	313,135	758,607	334,140	263,485	597,625
Saturday - -	„ 3	441,915	260,990	702,905	455,147	289,295	744,442	340,026	209,665	549,691
Monday - -	„ 5	437,226	285,400	722,626	456,769	286,475	743,244	338,482	219,680	558,162
Tuesday - -	„ 6	431,312	299,950	731,262	451,223	311,055	762,278	341,280	231,580	572,860
Wednesday -	„ 7	413,237	248,150	661,387	436,378	279,515	715,893	333,675	236,470	570,145
Thursday - -	„ 8	422,165	307,360	729,525	441,089	304,340	745,429	329,217	231,815	561,032
Friday - -	„ 9	421,345	259,760	681,105	449,976	305,035	755,011	334,933	225,065	559,998
Saturday - -	„ 10	442,432	249,070	691,502	457,934	256,525	714,459	345,403	193,765	539,168
Monday - -	„ 12	434,630	252,190	686,820	458,988	275,010	733,998	349,601	207,580	557,181
Tuesday - -	„ 13	426,852	273,050	699,902	448,939	277,140	726,079	344,109	209,425	553,534
Wednesday -	„ 14	422,921	282,040	704,961	450,677	276,835	727,512	335,693	209,180	544,873
Thursday - -	„ 15	411,822	270,505	682,327	437,829	322,535	760,364	322,903	201,770	524,673
Friday - -	„ 16	411,328	252,985	664,313	438,521	298,435	736,956	338,539	233,450	566,989
Saturday - -	„ 17	442,365	268,580	710,945	448,916	266,720	715,636	339,463	208,015	547,478
Monday - -	„ 19	430,993	254,230	685,223	449,339	275,165	724,504	335,054	201,515	536,569
Tuesday - -	„ 20	420,671	247,105	667,776	437,900	283,365	721,265	336,731	212,080	548,811
Wednesday -	„ 21	422,658	254,060	676,718	427,758	281,005	708,763	331,300	231,810	563,110
Thursday - -	„ 22	409,178	235,375	644,553	424,595	278,565	703,160	318,803	223,150	541,953
Friday - -	„ 23	414,881	232,875	647,756	441,587	282,810	724,397	331,529	222,630	554,159
Saturday - -	„ 24	435,769	243,705	679,474	456,393	262,450	718,843	341,483	199,540	541,023
Total for the Four Weeks - -	£.	10,172,763	6,258,380	16,431,143	10,662,383	6,877,825	17,540,208	8,060,559	5,260,600	13,321,159
Daily Average for the Four Weeks -	£.	423,865	260,766	684,631	444,266	286,576	730,842	335,856	219,192	555,048

AVERAGE OF	Under £. 5.	£. 5 and upwards.	Total.
	£.	£.	£.
Four Mondays - - - - - -	2,259,885	1,323,211	3,583,096
„ Tuesdays - - - - - -	2,215,429	1,365,225	3,580,654
„ Wednesdays - - - - -	2,184,881	1,358,077	3,542,958
„ Thursdays - - - - - -	2,165,915	1,401,145	3,567,060
„ Fridays - - - - - -	2,203,639	1,383,990	3,587,629
„ Saturdays - - - - - -	2,274,252	1,305,156	3,579,408

- - - - - - - NOTE CIRCULATION.

for the Four Weeks from Monday 29th March to Saturday 24th April 1875, inclusive.

	COMMERCIAL BANK.			UNION BANK.			TOTAL DAILY CIRCULATION.		
	Under £. 5.	£. 5 and upwards.	Total.	Under £. 5.	£. 5 and upwards.	Total.	Under £. 5.	£. 5 and upwards.	Total.
	£.	£.	£.	£.	£.	£.	£.	£.	£.
1	525,039	263,335	788,374	506,496	309,525	816,021	2,260,060	1,277,570	3,537,630
2	498,499	278,690	777,189	491,298	310,785	802,083	2,163,783	1,342,375	3,506,158
3	495,787	283,375	779,162	487,898	324,475	812,373	2,160,383	1,417,860	3,578,243
4	510,840	288,685	799,525	485,914	334,280	820,194	2,172,390	1,433,300	3,605,690
5	531,474	299,280	830,754	484,618	336,365	820,983	2,210,070	1,456,655	3,666,725
6	533,596	290,655	824,251	510,752	331,310	842,062	2,281,436	1,381,915	3,663,351
7	530,246	295,120	825,366	505,951	306,210	812,161	2,268,674	1,392,885	3,661,559
8	526,001	302,815	828,816	514,401	320,815	835,216	2,264,217	1,466,215	3,730,432
9	514,789	259,375	774,164	494,210	293,540	787,750	2,192,289	1,317,050	3,509,339
10	508,126	289,840	797,966	489,269	326,880	816,149	2,189,866	1,460,235	3,650,101
11	524,551	266,785	791,336	495,825	319,545	815,370	2,226,630	1,376,190	3,602,820
12	535,782	268,225	804,007	513,346	298,155	811,501	2,294,897	1,265,740	3,560,637
13	528,545	271.390	799,935	505,382	304,710	810,092	2,277,146	1,310,880	3,588,026
14	505,227	281,280	786,507	506,262	304,460	810,722	2,231,389	1,345,355	3,576,744
15	521,783	274,150	795,933	488,244	333,270	821,514	2,219,318	1,375,475	3,594,793
16	505,323	287,490	792,813	486,727	331,810	818,537	2,164,604	1,414,110	3,578,714
17	518,021	286,065	804,086	487,163	313,465	800,628	2,188,572	1,384,400	3,572,972
18	526,740	275,425	802,165	503,010	295,750	798,760	2,260,494	1,314,490	3,574,984
19	522,641	274,460	797,101	495,632	306,140	801,772	2,233,659	1,311,510	3,545,169
20	515,073	275,480	790,553	491,953	288,925	780,878	2,202,328	1,306,955	3,509,283
21	509,898	262,985	772,883	475,920	292,065	767,985	2,167,534	1,321,925	3,489,459
22	504,409	271,310	775,719	479,815	288,535	768,350	2,136,800	1,296,935	3,433,735
23	515,968	274,110	790,078	485,320	306,290	791,610	2,189,285	1,318,715	3,508,000
24	525,027	270,175	795,202	501,511	282,610	784,121	2,260,183	1,258,480	3,518,663
	12,433,385	6,690,500	19,123,885	11,886,917	7,459,915	19,346,832	53,216,007	32,547,220	85,763,227
	518,058	278,771	796,829	495,288	310,830	806,118	2,217,333	1,356,134	3,573,467
					General Daily Average - - - £.		443,466	271,227	714,693

Daily Average Circulation of the Five following Banks (*before* giving effect to the Daily Exchanges) for the 24 Days to 24th April 1875; also, General Daily Average.

Banks.	Under £. 5.	£. 5 and upwards.	Total.
	£.	£.	£.
Bank of Scotland - - - - -	423,865	260,766	684,631
Royal Bank - - - - - -	444,266	286,576	730,842
British Linen Company - - - -	335,856	219,192	555,048
Commercial Bank - - - - -	518,058	278,771	796,829
Union Bank - - - - - -	495,288	310,830	806,118
General Daily Average - £.	443,466	271,227	714,693

Appendix, No. 4.

AN ACCOUNT of the daily NOTE CIRCULATION of the BANKS OF ISSUE in SCOTLAND *before* giving effect to Daily Exchanges (also the Amount of Notes Received at these Exchanges; and the Daily Note Circulation *after* giving effect to the Exchanges), for the Period from 29th March to 24th April 1875 inclusive.—(Ordered by the Committee, 17th June 1875.)

DATE.	Bank of Scotland.	Royal Bank.	British Linen Company.	Commercial Bank.	National Bank.	Union Bank.	Clydesdale Bank.	City of Glasgow Bank.	Aberdeen T. & C. Bank.	North of Scotland Bank.	Caledonian Bank.	Total Circulation *before* giving effect to Exchanges.	Notes received at Exchanges.	Total Circulation *after* giving effect to Exchanges.
1875:	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
Monday - March 29	667,397	717,464	548,374	788,374	618,502	816,021	609,310	733,395	199,112	324,663	98,701	6,121,313	728,808	5,392,505
Tuesday - „ 30	663,493	718,577	544,816	777,189	598,380	802,083	599,510	727,921	195,412	323,766	100,115	6,051,262	639,520	5,411,742
Wednesday - „ 31	693,999	719,456	573,253	779,162	628,825	812,373	584,281	763,342	198,239	327,252	101,230	6,181,412	806,899	5,374,513
Thursday - April 1	676,418	743,871	565,682	799,525	625,837	820,194	589,070	728,614	197,979	333,162	109,774	6,190,126	746,001	5,444,125
Friday - „ 2	658,756	758,607	597,625	830,754	642,703	820,983	653,097	754,195	205,704	329,797	106,023	6,358,244	832,655	5,525,589
Saturday - „ 3	702,905	744,442	549,691	824,251	650,180	842,062	572,488	742,652	207,407	324,912	104,413	6,265,403	725,528	5,539,875
Monday - „ 5	722,626	743,244	558,162	825,366	651,220	812,161	587,467	718,978	201,050	327,768	104,725	6,252,767	693,863	5,558,904
Tuesday - „ 6	731,262	762,278	572,860	828,816	653,170	835,216	577,061	739,810	199,493	324,560	101,224	6,325,750	716,655	5,609,095
Wednesday - „ 7	661,387	715,893	570,145	774,164	648,529	787,750	553,910	694,677	202,391	328,536	103,986	6,041,368	350,847	5,690,521
Thursday - „ 8	729,525	745,429	561,032	797,966	636,269	816,149	632,098	728,238	195,109	337,831	102,133	6,281,779	751,097	5,530,682
Friday - „ 9	681,105	755,011	559,998	791,336	627,891	815,370	606,388	731,024	200,225	327,633	107,058	6,203,039	717,639	5,485,400
Saturday - „ 10	691,502	714,459	539,168	804,007	617,283	811,501	545,025	729,089	202,412	319,765	106,208	6,080,419	525,372	5,555,047
Monday - „ 12	686,820	733,998	557,181	799,935	609,874	810,092	584,105	733,499	199,901	325,652	107,200	6,148,257	585,177	5,563,080
Tuesday - „ 13	699,902	726,079	553,534	786,507	614,099	810,722	587,090	747,410	203,439	321,143	105,776	6,155,701	602,055	5,553,646
Wednesday - „ 14	704,961	727,512	544,873	795,933	642,180	821,514	628,739	738,225	199,134	323,662	105,980	6,232,713	682,959	5,549,754
Thursday - „ 15	682,327	760,364	524,673	792,813	645,816	818,537	617,585	765,985	198,470	323,765	110,522	6,240,857	718,588	5,522,269
Friday - „ 16	664,313	736,956	566,989	804,086	630,323	800,628	592,978	750,176	202,599	331,669	109,700	6,190,477	754,325	5,436,152
Saturday - „ 17	710,945	715,636	547,478	802,165	623,199	798,760	553,230	722,940	202,518	336,816	103,106	6,116,793	596,808	5,519,985
Monday - „ 19	685,223	724,504	536,569	797,101	618,830	801,772	487,408	735,673	212,761	336,675	113,424	6,049,940	599,736	5,450,204
Tuesday - „ 20	667,776	721,265	548,811	790,553	627,939	780,878	556,746	726,342	207,945	334,587	108,605	6,071,447	538,892	5,532,555
Wednesday - „ 21	676,718	708,763	563,110	772,883	603,033	767,985	576,985	713,629	203,896	340,601	106,913	6,034,516	475,767	5,558,749
Thursday - „ 22	644,553	703,160	541,953	775,719	594,184	768,350	607,836	728,578	200,721	344,912	118,163	6,028,129	525,349	5,502,780
Friday - „ 23	647,756	724,397	554,159	790,078	606,803	791,610	535,192	734,250	203,403	343,144	116,409	6,047,201	592,085	5,455,116
Saturday - „ 24	679,474	718,843	541,023	795,202	596,080	784,121	539,532	730,906	208,013	336,298	108,795	6,038,287	454,688	5,583,599
TOTALS - - £.	16,431,143	17,540,208	13,321,159	19,123,885	15,011,149	19,346,832	13,977,131	17,619,548	4,847,333	7,928,569	2,560,243	147,707,200	15,361,313	132,345,887

AN ACCOUNT of the NOTES RECEIVED by the BANKS of ISSUE in SCOTLAND at the Daily Exchanges in the Period from 29th March to 24th April 1875, inclusive.—(Ordered by the Committee, 17th June 1875.)

DATE.		Bank of Scotland.	Royal Bank.	British Linen Company.	Commercial Bank.	National Bank.	Union Bank.	Clydesdale Bank.	City of Glasgow Bank.	Aberdeen T. & C. Bank.	North of Scotland Bank.	Caledonian Bank.	TOTALS.
	1875:	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
Monday - -	March 29	83,201	83,085	70,242	88,694	83,357	106,629	90,908	92,466	8,118	16,265	5,843	728,808
Tuesday - -	„ 30	77,945	79,908	57,034	82,432	71,547	81,007	94,253	67,910	7,749	14,528	5,207	639,520
Wednesday - -	„ 31	98,530	82,052	65,681	82,723	100,167	97,950	136,279	113,962	7,871	17,464	4,220	806,899
Thursday - -	April 1	89,281	92,849	67,793	106,373	92,143	95,741	83,455	76,550	9,101	18,212	14,503	746,001
Friday - - -	„ 2	92,350	86,985	84,828	119,123	91,903	106,764	98,501	112,831	12,374	20,266	6,730	832,655
Saturday - -	„ 3	77,389	72,201	67,136	91,084	96,545	106,545	78,599	95,469	16,929	16,420	7,211	725,528
Monday - -	„ 5	97,975	78,195	72,306	103,262	79,463	73,478	82,550	74,427	8,915	17,298	5,994	693,863
Tuesday - -	„ 6	109,713	86,301	66,684	88,858	96,235	88,831	83,324	74,524	7,508	10,984	3,693	716,655
Wednesday - -	„ 7	37,810	45,808	34,262	59,655	43,702	42,349	36,279	32,345	3,747	9,330	5,560	350,847
Thursday - -	„ 8	105,972	80,583	84,933	77,865	91,528	95,306	87,921	100,368	4,877	18,274	3,470	751,097
Friday - - -	„ 9	87,434	91,350	76,035	83,023	76,100	94,030	88,810	95,400	7,153	12,991	5,313	717,639
Saturday - -	„ 10	70,249	47,170	56,921	68,715	57,305	81,967	51,064	58,151	13,574	14,918	5,338	525,372
Monday - -	„ 12	72,355	71,511	55,217	80,558	63,124	77,540	74,158	69,869	2,162	13,009	5,674	585,177
Tuesday - -	„ 13	85,379	71,286	61,022	64,402	70,611	71,073	71,346	79,916	8,094	13,819	5,107	602,055
Wednesday - -	„ 14	93,321	62,333	61,422	96,946	83,436	102,633	83,527	74,332	8,425	10,221	6,363	682,959
Thursday - -	„ 15	83,362	103,446	57,434	72,998	90,071	85,995	88,246	103,888	8,605	17,630	6,913	718,588
Friday - - -	„ 16	92,345	83,496	76,989	97,107	88,938	76,902	111,893	95,990	11,561	16,161	2,943	754,325
Saturday - -	„ 17	95,533	54,513	65,705	75,657	72,260	68,811	55,125	68,423	12,884	25,647	2,250	596,808
Monday - -	„ 19	70,214	59,220	59,498	79,282	66,300	73,315	71,601	85,644	1,952	27,714	4,996	599,736
Tuesday - -	„ 20	64,625	57,915	57,280	67,856	81,994	60,060	59,767	59,008	10,926	13,815	5,646	538,892
Wednesday - -	„ 21	60,691	59,315	50,631	50,642	47,530	60,888	63,774	56,170	8,255	13,775	4,096	475,767
Thursday - -	„ 22	48,023	59,597	59,718	72,017	54,170	58,621	75,916	71,725	8,640	13,753	3,169	525,349
Friday - - -	„ 23	66,656	67,904	73,961	85,559	52,365	64,238	69,874	76,442	8,155	18,606	8,325	592,085
Saturday - -	„ 24	62,907	47,722	59,022	70,690	39,138	48,940	37,934	52,302	16,382	14,532	5,119	454,688
TOTALS - -	£.	1,923,260	1,724,745	1,541,754	1,065,521	1,789,932	1,919,613	1,875,104	1,888,112	213,957	385,632	133,683	15,361,313

Appendix, No. 5.

PAPERS handed in by Mr. *Gairdner*, 6 May 1875.—(In answer to Question 872.)

LONDON JOINT STOCK BANKS.

ANALYSIS of BALANCE SHEETS for 1874, extracted from "ECONOMIST" NEWSPAPER of 13th February 1875.

NAMES.	When Founded.	Number of Branches.	LIABILITIES.						NET PROFITS.			PER-CENTAGES OF NET BUSINESS PROFITS			Dividends and Bonus.	Cash and Government and other Securities.
			TO PROPRIETORS.			TO PUBLIC.										
			Capitals Paid-up.	Reserves of Profits.	TOTAL.	Cash Deposits.	Acceptances.	TOTAL.	After Deducting Expenses.	4 per Cent. on Capital and Reserves.	Amount.	On Capital Paid-up. Per Cent. per Annum.	On Cash Deposits. Per Cent. per Annum.	On Total Liabilities to Public. Per Cent. per Annum.	Per Cent. per Annum.	
			£. 000	£. 000	£. 000	£. 000	£. 000	£. 000	£. 000	£. 000	£. 000	£. s. d.	£. s. d.	£. s. d.		£. 000
London and Westminster	1834	7	2,000	1,050	3,050	30,020	1,038	31,058	431	122	309	15 9 –	1 – 7	– 19 11	21	7,860
London Joint Stock	1836	5	1,200	510	1,710	20,530	No return	20,530	264	68	196	16 6 8	– –	– 19 1	21	3,380
Union	1839	4	1,400	450	1,850	14,120	4,957	19,077	255	74	181	12 18 5	1 5 8	– 19 –	17½	8,080
City	1855	4	600	170	770	3,290	3,260	6,550	62	31	31	5 3 4	– 18 10	– 9 6	10	1,117
Imperial	1862	2	670	80	750	2,110	1,068	3,178	81	30	51	7 12 3	2 8 4	1 12 1	8	649
Alliance	1862	–	800	170	970	1,890	532	2,422	66	39	27	3 7 6	1 8 7	1 2 3	8	719
Consolidated	1863	3	800	110	910	2,070	246	3,316	90	36	54	6 15 –	1 15 2	1 12 7	10	1,016
Central	1863	4	100	20	120	770	Nil –	770	13	5	8	8 – –	1 – 10	1 – 10	8	268
Metropolitan	1866	–	190	–	190	300	49	349	5	5	–	– –	– –	– –	8	72
London and South Western	1862	26	170	10	180	910	1	911	16	7	9	5 5 11	– 19 10	– 19 9	7½	261
London and County	1836	148	1,350	670	2,020	19,890	2,780	22,670	244	81	163	12 1 6	– 16 5	– 14 5	20	7,596
TOTALS		203	9,280	3,240	12,520	96,900	13,931	110,831	1,527	498	1,029	11 1 10	1 1 3	– 18 7		

ENGLISH PROVINCIAL BANKS OF ISSUE AND NON-ISSUE.

ANALYSIS of most-recently Published BALANCE SHEETS.—April 1874.

NAMES.	HEAD OFFICES.	When Founded.	No. of Branches.	LIABILITIES: TO PROPRIETORS. Capital Paid up.	TO PROPRIETORS. Reserve of Profits.	TO PROPRIETORS. Totals.	TO PUBLIC. Cash Deposits.	TO PUBLIC. Drafts and Acceptances.	TO PUBLIC. Notes.	TO PUBLIC. Total.	NET PROFITS. After deducting Expenses.	NET PROFITS. £.4 per Cent. on Capital and Reserves.	NET PROFITS. Amount.	PER-CENTAGES OF NET BUSINESS PROFITS. On Capital Paid up. Per Cent. per Annum.	On Cash Deposits. Per Cent. per Annum.	On Total Liabilities to Public. Per Cent. per Annum.	Dividends and Bonus. Per Cent. per Annum.	Cash and Government and other Securities.
				£.000	£.000	£.000	£.000	£.000	£.000	£.000	£.000	£.000	£.000	£. s. d.	£. s. d.	£. s. d.		£.000
BANKS OF ISSUE:																		
Bradford Banking Company	Bradford	1827	–	220	260	480	1,609	–	50	1,659	68	19	49	22 5 8	3 1 –	2 19 –	25	Not stated.
Cumberland Union Bank	Carlisle	1829	17	225	83	308	1,803	–	35	1,838	46	12	34	15 2 3	1 17 8	1 17 –	18	487
Leicestershire Banking Company	Leicester	1829	10	250	90	340	1,327	–	63	1,390	37	14	23	9 4 –	1 14 8	1 13 1	14	498
North and South Wales Bank	Liverpool	1836	36	360	211	571	3,590	67	59	3,716	70	23	47	13 1 2	1 6 2	1 5 4	17½	1,418
Sheffield Banking Company	Sheffield	1831	3	293	106	399	1,458, including notes			1,458	52	16	36	12 5 9	2 9 4	2 9 4	17	Not stated.
Sheffield and Rotherham Joint Stock Banking Company.	Sheffield	1836	4	161	85	246	1,527, including notes			1,527	39	10	29	18 – 3	1 18 –	1 18 –	21⅞	Not stated.
Stamford, Spalding, and Boston Banking Company	Stamford	1832	18	200	103	303	1,241	–	46	1,287	32	12	20	10 – –	1 12 3	1 11 4	17	621
West of England and South Wales District Bank	Bristol	1834	42	750	129	879	4,140, including notes			4,140	118	35	83	11 1 4	2 – 2	2 – 2	14	960
Wilts and Dorset Banking Company	Salisbury	1835	49	250	155	405	2,963	5	75	3,043	55	16	39	15 12 –	1 6 4	1 5 8	22	1,966
Yorkshire Banking Company	Leeds	1843	21	250	148	398	2,414	–	112	2,526	90	16	74	29 12 –	3 1 3	2 18 7	24	Not stated.
	TOTALS		200	2,959	1,370	4,329	22,072	72	440	22,584	607	173	434	14 13 4	1 19 4	1 18 5		
BANKS OF NON-ISSUE:																		
Birmingham Joint Stock Bank	Birmingham	1861	2	204	219	423	1,632	–	–	1,632	49	17	32	15 13 9	1 19 2	1 19 2	20	391
Bradford Old Bank	Bradford	1864	2	393	138	531	1,233	–	–	1,233	56	21	35	8 18 1	2 16 9	2 16 9	13¾	Not stated.
Liverpool Union Bank	Liverpool	1835	–	600	164	764	2,571	774	–	3,345	90	31	59	9 16 8	2 6 –	1 15 3	10	1,126
Lloyd's Banking Company	Birmingham	1865	35	327	150	477	4,941	–	–	4,941	88	19	69	21 2 –	1 7 11	1 7 11	20	868
Manchester and Liverpool District Bank	Manchester	1829	51	905	572	1,477	12,354	150	–	12,504	206	59	147	16 4 11	1 3 9	1 3 6	20	4,275
Manchester and County Bank	Manchester	1862	26	660	350	1,010	5,743	–	–	5,743	129	40	89	13 9 8	1 11 –	1 11 –	15	Not stated.
Midland Banking Company	London	1863	27	300	46	346	1,414	–	–	1,414	33	14	19	6 6 8	1 6 11	1 6 11	9	229
National Provincial Bank of England	London	1833	137	1,350	650	2,000	21,822	547	–	22,369	397	80	317	23 9 8	1 9 –	1 8 3	25	9,514
North Western Bank	Liverpool	1864	–	405	101	506	1,108	230	–	1,338	40	20	20	4 18 9	1 16 1	1 9 11	7	141
Parr's Banking Company	Warrington	1865	16	150	46	196	1,892	66	–	1,958	43	8	35	23 6 8	1 17 1	1 15 9	15	872
Union Bank of Manchester	Manchester	1836	20	417	123	540	1,563	67	–	1,630	64	22	42	10 1 5	2 13 9	2 11 5	11⅓	232
	TOTALS		316	5,711	2,559	8,270	56,273	1,834	–	58,107	1,195	331	864	15 2 7	1 10 9	1 9 9		
AGGREGATE TOTALS			516	8,670	3,929	12,599	78,345	1,906	440	80,691	1,802	504	1,298	14 19 5	1 13 2	1 12 2		

SCOTTISH BANKS.

Analysis of Balance Sheets Published in 1874, Contrasted with Corresponding Results of London and English Provincial Banks.

NAMES.	When Founded.	No. of Branches.	LIABILITIES								NET PROFITS.			PER-CENTAGES OF NET BUSINESS PROFITS			Dividends and Bonus.	Cash and Government and other Securities.
			TO PROPRIETORS.			TO PUBLIC.					After Deducting Expenses.	£.4 per Cent. on Capital and Reserves.	Amount.	On Capital Paid up.	On Cash Deposits.	On Total Liabilities to Public.		
			Capitals Paid up.	Reserves of Profit.	Total.	Cash Deposits.	Notes.	Acceptances.	Drafts.	Total.				Per Cent. per Annum.	Per Cent. per Annum.	Per Cent. per Annum.	Per Cent. per Annum.	
			£.000	£.000	£.000	£.000	£.000	£.000	£.000	£.000	£.000	£.000	£.000	£. s. d.	£. s. d.	£. s. d.		£.000.
Bank of Scotland	1695	76	1,000	370	1,370	10,154	628	2,059	262	13,103	165	55	110	11 – –	1 1 8	– 16 10	13½	4,177
Royal „	1727	106	2,000	521	2,521	10,063	865	423	388	11,739	202	101	101	5 1 –	1 – 1	– 17 2	9½	3,751
British Linen Company	1746	67	1,000	390	1,390	7,703	676	328	178	8,885	163	56	107	10 14 –	1 7 10	1 4 1	13	2,735
Commercial	1810	100	1,000	407	1,407	9,502	785	433	–	10,720	168	56	112	11 4 –	1 3 7	1 – 11	15	3,484
National	1825	91	1,000	483	1,483	10,874	588	1,224	–	12,686	185	59	126	12 12 –	1 3 2	– 19 10	16	3,626
Union	1830	116	1,000	471	1,471	9,541	888	223	61	10,713	158	59	99	9 18 –	1 – 9	– 18 6	15	3,074
Clydesdale	1838	79	1,000	589	1,589	6,519	717	256	199	7,691	146	64	82	8 4 –	1 5 2	1 1 4	16½	2,711
City of Glasgow	1839	122	1,000	505	1,505	8,162	898	793	217	10,070	130	60	70	7 – –	– 17 2	– 13 11	11	2,834
Aberdeen Town and County	1825	38	252	116	368	1,624	172	–	–	1,796	31	15	16	6 7 –	– 19 9	– 18 2	12½	687
North of Scotland	1836	46	320	100	420	2,464	396	–	–	2,860	45	17	28	8 15 –	1 2 9	– 19 9	11½	922
Caledonian	1838	21	125	64	189	1,042	113	–	–	1,155	18	8	10	8 – –	– 19 2	– 17 4	14	431
Totals of 11 Scottish Banks		862	9,697	4,016	13,713	77,648	6,726	5,739	1,305	91,418	1,411	550	861	8 19 6	1 1 11	– 18 11		
Totals of 11 London Banks, 1874			9,280	3,240	12,520	96,900	–	13,931	–	110,831	1,527	498	1,029	11 1 10	1 1 3	– 18 7		
Totals of 10 English Provincial Banks of Issue			2,959	1,370	4,329	22,072	440	72	–	22,584	607	173	434	14 13 4	1 19 4	1 18 5		
Totals of 11 English Provincial Banks of Non-Issue			5,711	2,559	8,270	56,273	–	1,834	–	58,107	1,195	331	864	15 2 7	1 10 9	1 9 9		
Aggregate of 21 English Provincial Banks of Issue and Non-Issue			8,670	3,929	12,599	78,345	440	1,906	–	80,691	1,802	504	1,298	14 19 5	1 13 2	1 12 2		
Totals of 11 London Banks, 1873			9,120	3,000	12,120	94,760	–	20,000	–	114,760	1,689	485	1,204	13 5 –	1 6 3	1 1 –		
Totals of 11 Scottish Banks, 1873			9,467	3,566	13,033	75,534	7,127	5,527	1,354	89,542	1,348	516	832	8 15 –	1 1 11	– 18 6		

Appendix, No. 6.

PAPER handed in by Mr. *Gairdner*, 10 May 1875.—(In answer to Question 919.)

CONTRASTED RESULTS of BANKING in *Scotland*, *London*, and Provincial *England*, taken from the published Balance Sheets of the Banks. Appendix, No. 6.

This statement as regards the returns of 11 Scottish Joint Stock Banks, and 11 London Joint Stock Banks, is made up from the annual *resumé* of the "Economist" newspaper. As regards the English Provincial Joint Stock Banks, it embraces the returns of 10 banks of issue, and 11 banks without issue, being all the provincial banks whose liabilities exceed 1,500,000 *l.*, and whose Balance Sheets appear to be published.

1. Per-centage of Capital and Reserved Profits to CASH DEPOSITS:—

	Capital alone.	Capital and Reserved Profits together.
	Per cent.	*Per cent.*
11 Scottish Banks	12·4	17·8
11 London Joint Stock Banks	9·5	12·8
10 English Provincial Banks of Issue	13·4	19·6
11 English Provincial Banks without Issue	10·1	14·7
21 English Provincial Banks aggregated	11·	16·1

2. Per-centage of net Business Profits (after payment of Expenses, bad Debts, and charging Interest on Capital and Reserved Profits at 4 per cent. per annum) to CAPITAL paid up:—

	£.	s.	d.	
11 Scottish Banks in 1873	8	15	–	per cent.
Ditto - 1874	8	19	6	„
11 London Joint Stock Banks, 1873	13	5	–	„
Ditto - ditto - 1874	11	1	10	„
10 English Provincial Banks of Issue, 1874	14	13	4	„
11 Ditto - ditto - without Issue, 1874	15	2	7	„
Aggregate of 21 English Provincial Banks	14	19	5	„

3. Per-centage of net Business Profits to CASH DEPOSITS:—

	£.	s.	d.	
11 Scottish Banks in 1873	1	1	11	per cent.
Ditto - 1874	1	1	11	„
11 London Joint Stock Banks in 1873	1	6	3	„
Ditto - ditto - 1874	1	1	3	„
10 English Provincial Banks of Issue	1	19	4	„
11 Ditto - ditto - without Issue	1	10	9	„
Aggregate of 21 English Provincial Banks	1	13	2	„

4. Per-centage of net Business Profits to TOTAL LIABILITIES:—

	£.	s.	d.	
11 Scottish Banks in 1873	–	18	6	per cent.
Ditto - 1874	–	18	11	„
11 London Joint Stock Banks in 1873	1	1	–	„
Ditto - ditto - 1874	–	18	7	„
10 English Provincial Banks of Issue	1	18	5	„
11 Ditto - ditto - without Issue	1	9	9	„
Aggregate of 21 English Provincial Banks	1	12	2	„

Appendix, No. 6.

ESTIMATE of Loss that would accrue to people of *Scotland* by adoption of English Margin of Banking Profit.

(*a.*) Calculation based on the Margin of Profit earned by Banks of Issue on their Cash Deposits :—

	£.	s.	d.
Margin of 10 English Provincial Banks of Issue -	1	19	4
Margin of 11 Scottish - ditto - ditto -	1	1	11
Difference - - -	£. –	17	5

This difference applied to the deposits amounting to 77,000,000 *l.*, gives an estimated loss of 670,000 *l.* per annum.

(*b.*) Calculation based on the Margin of Profit earned by Banks of Issue on their Total Liabilities :—

	£.	s.	d.
Margin of 10 English Provincial Banks of Issue -	1	18	5
Margin of 11 Scottish - ditto - ditto -	–	18	11
Difference - - -	£. –	19	6

This difference applied to the total liabilities amounting to 91,000,000 *l.*, would give a loss of 880,000 *l.* per annum.

ESTIMATE of GAIN to People of Provincial *England*, by adoption of Scottish Margin of Banking Profit.

The Cash Deposits of Provincial England are assumed on the basis of Mr. Palgrave's very moderate estimates to be 200,000,000 *l.*

The Margin of Profit of 21 English Provincial Banks (10 with issue, and 11 without issue), whose aggregate liabilities on deposits are 78,000,000 *l.*, is - £. 1 13 2 per cent.

The Margin of Profit of the 11 Scottish Banks is - - - 1 1 11 „

Difference - - - £. – 11 3 „

This difference applied to the assumed amount of 200,000,000 *l.* of deposits, would give a gain of 1,125,000 *l.* per annum.

Appendix, No. 7.

PAPER handed in by Mr. *Gairdner*, 13 May 1875.—(In answer to Question 1314.)

NUMBER of DEPOSIT CUSTOMERS in the SCOTCH BANKS, classified according to the Amounts at their Credit in *Scotland*, 1874–75. Appendix, No. 7.

	Total Amount of Deposits.	Number of Depositors.	Per-centage of the Number of each Class.
	£.		
Sums not exceeding £. 100 - - - - - - - - -	11,768,317	290,885	69·65
Exceeding £. 100 and not exceeding £. 200 - - - -	8,848,503	56,445	13·52
„ 200 „ „ 300 - - - -	6,111,114	23,253	5·56
„ 300 „ „ 400 - - - -	4,561,889	12,395	2·97
„ 400 „ „ 500 - - - -	4,600,239	8,921	2·14
„ 500 „ „ 600 - - - -	2,927,262	5,129	1·22
„ 600 „ „ 700 - - - -	2,248,198	3,277	·78
„ 700 „ „ 800 - - - -	2,071,156	2,621	·63
„ 800 „ „ 900 - - - -	1,536,637	1,773	·42
„ 900 „ „ 1,000 - - - -	3,285,934	2,855	·68
„ 1,000 „ „ 2,000 - - - -	8,760,106	6,240	1·50
„ 2,000 „ „ 3,000 - - - -	4,177,595	1,672	·40
„ 3,000 „ „ 4,000 - - - -	2,496,490	736	·18
„ 4,000 „ „ 5,000 - - - -	2,341,198	494	·12
„ 5,000 „ „ 10,000 - - - -	4,674,044	659	·16
„ 10,000 „ „ 15,000 - - - -	1,593,075	146	·04
„ 15,000 „ „ 20,000 - - - -	917,108	58	·01
„ 20,000 - - - - - - - -	3,324,408	98	·02
	76,243,273	417,657	100·

Note.—Five of the Banks above named have received returns of deposit receipt-holders separately from current account-holders, which show the average to be 75 per cent. of the former, and 25 per cent. of the latter.

PER-CENTAGES of DEPOSITS in SCOTLAND.

	Per Cent.	Amount. £.	£.	Per Cent.	Per Cent.
Sums not exceeding £. 100 - - - - - -	15·44	11,768,317	11,768,317	15·44	
Exceeding £. 100 and not exceeding £. 200 - -	11·66	8,848,503	8,848,503	11·66	
„ 200 „ „ 300 - -	8·02	6,111,114			27·10
„ 300 „ „ 400 - -	5·83	4,561,889			
„ 400 „ „ 500 - -	6·04	4,600,239	15,273,242	19·89	
„ 500 „ „ 600 - -	3·85	2,927,262			46·99
„ 600 „ „ 700 - -	2·96	2,248,198			
„ 700 „ „ 800 - -	2·72	2,071,156			
„ 800 „ „ 900 - -	2·02	1,536,637			
„ 900 „ „ 1,000 - -	4·32	3,285,934	12,069,187	15·87	
„ 1,000 „ „ 2,000 - -	11·49	8,760,106	8,760,106	11·49	62·86
„ 2,000 „ „ 3,000 - -	5·49	4,177,595			
„ 3,000 „ „ 4,000 - -	3·29	2,496,490			
„ 4,000 „ „ 5,000 - -	3·08	2,341,198	9,015,283	11·86	
„ 5,000 „ „ 10,000 - -	6·14	4,674,044			
„ 10,000 „ „ 15,000 - -	2·09	1,593,075			
„ 15,000 „ „ 20,000 - -	1·20	917,108	7,184,227	9·43	
„ 20,000 - - - - - - -	4·36	3,324,408	3,324,408	4·36	
	100·	TOTAL - £.	76,243,273	100·	

Appendix, No. 8.

PAPERS handed in by Mr. *Fleming*, 13 May 1875.

(In answer to Question 1390.)

AVERAGES of SCOTCH RATES for Five Years 1870–1874.

	Bank of England Average Rate.	INTEREST ON DEPOSITS.			DISCOUNT RATES.						INTEREST ON LOANS.	
					London Bills.			Local Bills.				
		Deposit Receipts.	Current Accounts.		Three Months.	Four Months.	Six Months.	Three Months.	Four Months.	Six Months.	Cash Accounts.	Over Draft
			Minimum Monthly Balances.	Daily Balances.								
1870 - -	3·09	2·20	1·55	1·02	3·14	3·64	4·12	3·62	4·12	4·61	4·58	5·0
1871 - -	2·88	2·30	1·58	1·00	3·20	3·70	4·20	3·70	4·15	4·65	4·71	5·2
1872 - -	4·09	2·97	1·76	1·11	4·09	4·51	4·92	4·51	4·98	5·40	5·33	5·8
1873 - -	4·77	3·50	1·92	1·24	4·76	5·13	5·49	5·13	5·51	5·93	5·73	6·2
1874 - -	3·70	2·66	1·60	1·01	3·74	4·24	4·72	4·24	4·72	5·20	5·01	5·5

(In answer to Question 1396.)

ROYAL BANK OF SCOTLAND.

BANKING ADVANCES and LOSSES, 1865 till 1874, inclusive.

	Advances Per Balance Sheet.	Losses.	Per-centage of Losses to Advances.			
	£.	£.		£.	s.	d.
1865 - - - - -	8,206,985	4,801	·0585 =	–	1	$2\frac{4}{100}$
1866 - - - - -	8,216,953	3,262	·0397 =	–	–	$9\frac{53}{100}$
1867 - - - - -	8,537,794	5,017	·0587 =	–	1	2
1868 - - - - -	8,495,145	4,162	·0490 =	–	–	$11\frac{76}{100}$
1869 - - - - -	8,300,757	3,478	·0419 =	–	–	$10\frac{5}{100}$
1870 - - - - -	8,486,478	7,871	·0927 =	–	1	$10\frac{25}{100}$
1871 - - - - -	8,614,583	8,996	·1044 =	–	2	$1\frac{6}{100}$
1872 - - - - -	9,306,537	6,823	·0733 =	–	1	$5\frac{60}{100}$
1873 - - - - -	9,986,878	2,144	·0214 =	–	–	$5\frac{14}{100}$
1874 - - - - -	10,431,503	2,257	·0216 =	–	–	$5\frac{19}{100}$
£.	88,583,613	48,811				
Average of the 10 years - -	8,858,361	4,881	·0551 =	–	1	$1\frac{23}{100}$

Appendix, No. 9.

PAPER handed in by Mr. *Wade*, and referred to in his Evidence, 31 May 1875.

Appendix, No. 9.

NATIONAL PROVINCIAL BANK OF ENGLAND.

STATEMENTS relating to LIABILITIES.

No. 1.

STATEMENT showing the total Liabilities of the National Provincial Bank of England, at 31st December 1874.

	£.	s.	d.
Paid-up Capital - - - - - -	1,378,256	–	–
Reserve, and Profit and Loss Balance - -	902,694	5	2
Deposits, &c. - - - - - - -	22,953,308	4	2
Acceptances - - - - - - -	1,042,676	13	6
£.	26,276,935	2	10

No. 2.

STATEMENT showing the Amount of paid-up Capital at 31st December 1874.

Paid-up Capital - - - - - - £. 1,378,256 – *s.* – *d.*

No. 3.

STATEMENT show the Amount of Reserve, and Profit and Loss Balance, at 31st December 1874.

Reserve, and Profit and Loss Balance - £. 902,694 5 *s.* 2 *d.*

No. 4.

STATEMENT showing the Amount due on Deposits, &c., at 31st December 1874.

Amount due by the bank on deposits, &c - £. 22,953,308 4 *s.* 2 *d.*

No. 5.

STATEMENT showing the Liability on Acceptances at 31st December 1874.

Liability on acceptances - - - - £. 1,042,676 13 *s.* 6 *d.*

Appendix, No. 9.

No. 6.

STATEMENT showing the Paid-up Capital and Reserve, including Profit and Loss Balance, at 31st December 1874.

	£.	s.	d.
Paid-up capital - - - - - - - -	1,378,256	–	–
Reserve, and profit and loss balance - - -	902,694	5	2
£.	2,280,950	5	2

No. 7.

STATEMENT showing the Amount of Paid-up Capital Reserve, including Profit and Loss Balance, and Deposits, at 31st December 1874.

	£.	s.	d.
Paid-up capital - - - - - - -	1,378,256	–	–
Reserve, and profit and loss balance - - -	902,694	5	2
Deposits, &c. - - - - - - - -	22,953,308	4	2
£.	25,234,258	9	4

No. 8.

STATEMENT showing the Liability on Deposits and Acceptances at 31st December 1874.

	£.	s.	d.
Amount due by the bank on deposits, &c. - -	22,953,308	4	2
Acceptances - - - - - - - -	1,042,676	13	6
£.	23,995,984	17	8

NATIONAL PROVINCIAL BANK OF ENGLAND.

STATEMENTS relating to ASSETS.

No. 9.

STATEMENT showing the Total Assets of the National Provincial Bank of England at 31st December 1874.

		£.	s.	d.
Cash in hand at Bank of England and branches, Call and Short Notice - - - - - -		4,168,222	17	4
Government Securities - - - - -		3,280,117	–	–
Indian Government and other Securities, debentures, &c. - - - - - - -		2,776,338	6	1
Bills discounted, loans, &c. - - - -		15,637,188	–	7
Freehold premises, &c., in London and country, total amount - - - -	£. 552,428 19 7			
Less at credit of Building Fund, £. 117,360 – 9				
Add amount now voted 20,000 – –				
	137,360 – 9			
		415,068	18	10
£.		26,276,935	2	10

No. 10.

STATEMENT showing the Amount of Cash in hand at Bank of England and Branches, Call and Short Notice, at 31st December 1874.

Amount - - - - - - - -	£. 4,168,222 17 *s.* 4 *d.*

No. 11.

STATEMENT showing the Amount of Government Securities at 31st December 1874.

Amount - - - - - - - - - -	£. 3,280,117.

No. 12.

STATEMENT showing the Amount of Indian Government and other Securities, Debentures, &c., at 31st December 1874.

Amount - - - - - - - -	£. 2,776,338 6 *s.* 1 *d.*

No. 13.

STATEMENT showing the Amount of Bills Discounted, Loans, &c., at 31st December 1874.

Amount - - - - - - - -	£. 15,637,188 – *s.* 7 *d.*

No. 14.

STATEMENT showing the Amount of Freehold Premises, &c., in London and Country, and the Amount at Credit of Building Fund at 31st December 1874.

	£.	*s.*	*d.*	£.	*s.*	*d.*
Total amount of Freehold Premises, &c. -				552,428	19	7
Less at credit of Building Fund - - - -	117,360	–	9			
Add amount now voted - -	20,000	–	–			
				137,360	–	9
			£.	415,068	18	10

No. 15.

STATEMENT showing in one Amount, the Cash in hand at Bank of England and Branches, Call and Short Notice, Government Securities, Indian Government and other Securities, Debentures, &c. at 31st December 1874.

	£.	*s.*	*d.*
Cash in hand at Bank of England and branches, Call and Short Notice - - - -	4,168,222	17	4
Government Securities - - - - -	3,280,117	–	–
Indian Government and other Securities, Debentures, &c. - - - - -	2,776,338	6	1
£.	10,224,678	3	5

Appendix, No. 9.

NATIONAL PROVINCIAL BANK OF ENGLAND.

STATEMENTS relating to PROFITS and WORKING EXPENSES.

No. 16.

STATEMENT showing the Net Profits of the National Provincial Bank of England for the Year 1874.

Net profits for the year 1874 - - - -	£. 336,455 4 *s.* 7 *d.*

No. 17.

STATEMENT showing the Profits of the National Provincial Bank of England for the Year 1874, after deducting Interest at 4 per cent. on paid-up Capital and Reserve.

	£.	*s.*	*d.*
Net profits for the year 1874 - - - -	336,455	4	7
Deduct interest at 4 per cent. on (2,280,950 *l.* 5 *s.* 2 *d.*) paid-up capital and reserve - - - -	91,238	–	–
£.	245,217	4	7

No. 18.

STATEMENT showing the Working Expenses of the National Provincial Bank of England for the Year 1874.

Salaries, Rent, Taxes, and other Expenses - -	£. 298,897.

NATIONAL PROVINCIAL BANK OF ENGLAND.

RETURNS of GOLD, SILVER, &c., and RETURN of the COST of MAINTAINING 20 of the Smallest Branches.

No. 19.

RETURN of Gold, Silver, and Bank of England Notes, &c., in Tills at Head Office and Branches of the National Provincial Bank of England at 31st December 1874.

GOLD.	SILVER.	Bank of England Notes.	Notes of other Banks, &c.	TOTAL.
£. *s.* *d.*	£. *s.* *d.*	£. *s.* *d.*	£. *s.* *d.*	£. *s.* *d.*
524,390 – –	90,043 11 7	467,045 – –	113,875 10 5	1,195,354 2 –

No. 20.

RETURN of Cash in Hand at Bank of England and Branches, Call and Short Notice, Government Securities, Indian Government, and other Securities, Debentures, &c., at 31st December 1874.

Cash in Hand at Bank of England and Branches, Call and Short Notices.	Government Securities.	Indian Government and other Securities, Debentures, &c.	Total Amount.	Equal to per Cent. on Deposits.	Equal to per Cent. on Deposits and Acceptances.
£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.
4,168,222 17 4	3,280,117 - -	2,776,338 6 1	10,224,678 3 5	44 10 10	40 5 2

No. 21.

RETURN of the Cost of Maintaining 20 of the smallest Branches of the National Provincial Bank of England for the Year 1874, and the average Cost of each Branch.

	£. s. d.
Total amount of salaries, hou se rent, taxes, and other expenses of the 20 br anches - -	12,274 14 8
Average cost of each of the 20 branches for the year 1874 - - - - - - - -	613 14 9

NATIONAL PROVINCIAL BANK OF ENGLAND.

STATEMENTS relating to PER-CENTAGE, &c.

No. 22.

STATEMENT showing the Per-centage of Gold, Silver, Bank of England Notes, &c. (1,195,354 *l.* 2 *s.*), in tills at Head Office and Branches of the National Provincial Bank of England, at 31st December 1874, to Deposits and to Deposits and Acceptances.

19 4	Per-centage of gold, silver, Bank of England notes, &c., to deposits only, 5 *l.* 4 *s.* 1 *d.* per cent.
19 8	Per-centage of gold, silver, Bank of England notes, &c., to deposits and acceptances, 4 *l.* 19 *s.* 7 *d.* per cent.

No. 23.

STATEMENT showing the per-centage of Net Profits of the National Provincial Bank of England to Liabilities, at 31st December 1874.

16 7	Per-centage of net profits to liabilities without including acceptances, 1 *l.* 6 *s.* 8 *d.* per cent.
16 1	Per-centage of net profits to liabilities, including acceptances, 1 *l.* 5 *s.* 7 *d.* per cent.
17 4	Per-centage of profits to deposits only, after deducting from the net profits 91,238 *l.*, interest at 4 per cent. on paid-up capital and reserve, 1 *l.* 1 *s.* 5 *d.* per cent.
17 8	Per-centage of profits to deposits and acceptances after deducting from the net profits 91,238 *l.*, interest at 4 per cent. on paid-up capital and reserve 1 *l.* – *s.* 5 *d.* per cent.

Note.—The numbers in the margin refer to the statements containing the figures on which the calculations of per-centages are based.

Appendix, No. 9.

No. 24.

STATEMENT showing the per-centage of Cash in Hand, &c., to Deposits, and to Deposits and Acceptances, at 31st December 1874.

10 4	Per-centage of cash in hand at Bank of England and branches, call and short notice to deposits only, 18 *l.* 3 *s.* 2 *d.* per cent.
15 4	Per-centage of cash in hand at Bank of England and branches, call and short notice, Government securities, Indian Government, and other first-class securities, debentures, &c., to deposits only, 44 *l.* 10 *s.* 10 *d.* per cent.
15 8	Per-centage of cash in hand at Bank of England and branches, call and short notice, Government securities, Indian Government, and other first-class securities, debentures, &c., to deposits and acceptances, 40 *l.* 5 *s.* 2 *d.* per cent.

No. 25.

STATEMENT showing the Per-centage of paid-up Capital and Reserve of the National Provincial Bank of England to Deposits, at 31st December 1874.

6 4	Per-centage of paid-up capital and reserve, including profit and loss balance to deposits, 9 *l.* 18 *s.* 8 *d.* per cent.

No. 26.

STATEMENT showing the Per-centage of Working Expenses at Head Office and Branches of the National Provincial Bank of England, for the Year 1874.

18 7	Per-centage of working expenses on the employment of capital, reserve, and deposits, 1 *l.* 3 *s.* 8 *d.* per cent.
18, 4	Per-centage of working expenses on deposits, only 1 *l.* 6 *s.* per cent.

Note.—The numbers in the margin refer to the statements containing the figures on which the calculations of per-centages are based.

No. 27.

NATIONAL PROVINCIAL BANK OF ENGLAND.

RETURN showing the Number of DEPOSITORS and the Amount of DEPOSITS, at 31st December 1874.

	Number of Depositors.	Amount of Deposits.	Per-Centage to Total Deposits.
		£.	
Sums not exceeding - - 100 *l.*	83,723	3,603,289	15·68
" " - - 200 *l.*	16,780	2,518,310	10·97
" " - - 300 *l.*	7,430	1,865,844	8·21
" " - - 400 *l.*	4,027	1,431,498	6·23
" " - - 500 *l.*	2,896	1,339,086	5·83
" " - - 600 *l.*	1,628	902,243	3·93
" " - - 700 *l.*	1,045	687,346	2·99
" " - - 800 *l.*	799	600,686	2·61
" " - - 900 *l.*	549	470,083	2·04
" " - - 1,000 *l.*	911	890,567	3·88
" " - - 2,000 *l.*	1,847	2,585,383	11·26
" " - - 3,000 *l.*	473	1,171,055	5·10
" " - - 4,000 *l.*	202	721,327	3·14
" " - - 5,000 *l.*	127	570,454	2·48
" " - - 10,000 *l.*	184	1,299,524	5·66
" " - - 15,000 *l.*	28	351,451	1·52
" " - - 20,000 *l.*	17	305,034	1·33
Sums above - - - 20,000 *l.*	34	1,640,128	7·14
TOTAL - - -	122,700	22,953,308	

Appendix, No. 10.

PAPER handed in by Mr. *Mills*, 3 June 1875.—(In answer to Question 2757.)

COPY of RETURN sent to the Commissioners of Inland Revenue (Weekly). Appendix, No. 10.

8 & 9 VICTORIA, cap. 37.—SCHEDULE A.

Name and Title set forth in License, and Name of the Firm :

THE NATIONAL BANK.

Head Offices, or principal places of Issue :—Dublin, Cork, Limerick, Ballinasloe.

		£.
Amount of Notes in circulation on Saturday the 20th day of February 1875.	5 *l.* and upwards - - -	770,335
	Under 5 *l.* - - - -	567,000
	£.	1,337,335

AMOUNT of GOLD and SILVER COIN held at the Head Offices or Principal Places of Issue at the close of Business on,—

	Head Office at Dublin.		Head Office at Cork.		Head Office at Limerick.		Head Office at Ballinasloe.	
	Gold.	Silver.	Gold.	Silver.	Gold.	Silver.	Gold.	Silver.
	£.	£.	£.	£.	£.	£.	£.	£.
Monday, 15th of February 1875	369,410	10,451	99,067	1,942	97,734	3,677	39,755	2,108
Tuesday, 16th of „ „	369,943	11,195	99,070	2,034	97,766	3,774	39,838	2,152
Wednesday, 17th of „ „	370,427	11,140	99,225	2,114	97,833	3,912	39,813	2,146
Thursday, 18th of „ „	371,291	11,493	99,364	2,076	98,438	4,472	39,810	2,180
Friday, 19th of „ „	376,680	11,295	99,223	1,978	98,376	4,465	39,850	2,174
Saturday, 20th of „ „	377,012	10,750	99,052	1,705	98,321	4,316	39,762	2,090

Total Amount of Coin held at the close of Business on Saturday, the 20th day of February 1875.

	£.
Gold - - - - - -	775,985
Silver - - - - - -	58,034
TOTAL - - £.	834,019

Amount of Notes authorised by Certificate - - - - £. 852,269

Average Amount of Notes in Circulation during the four weeks ending as above,	5 *l.* and upwards - £.	785,625	These figures being the average for four weeks, are only given monthly.
	Under 5 *l.*	582,625	
Average Amount of Coin held at the Head Offices or Principal Places of Issue during the said four weeks -	Gold - - -	628,925	
	Silver - - -	16,363	

I, William George Simm, being the Secretary of the National Bank, do hereby certify, that the above is a true account of the Notes in Circulation, and of the Coin held by the said Bank, as required under the Act 8 & 9 Vict. cap. 37.

Dated the 26th day of February 1875.

(signed) *W. G. Simm*,
Secretary.

Appendix, No. 11.

PAPER handed in by Mr. *Du Bedat*, 7 June 1875.—(In answer to Question 3090.)

Appendix, No. 11.

CIRCULAR of 21st April 1870.—CHARGES to be made by BANK of IRELAND and BRANCHES, by Order of Board, on and after 1st May, on the following:

	CHEQUES AND CASH ORDERS.	
IRISH	Constabulary Pension and Receipts Dividend Warrants of Railway Companies who keep Accounts with the Bank Church Commissioners' Cheques on Bank Regium Donum Cheques, County Treasurers' Cheques on Bank And Poor Law Cheques on Bank	Free.
IRISH	Cheques paid in any town other than where drawn on (except when presented by the drawer, his clerk or servant, in which case, free)	3 *d.* up to 50 *l.* 6 *d.* from 50 *l.* to 300 *l.* 1 *s.* from 300 *l.* upwards.
IRISH	Cash Orders Collected	3 *d.* up to 50 *l.* 6 *d.* from 50 *l.* to 300 *l.* 1 *s.* from 300 *l.* upwards.
ENGLISH and SCOTCH.	Cheques and Cash Orders on London, or where the Bank of England has branches	1 *s.* 6 *d.* per cent.
ENGLISH and SCOTCH.	Cheques and Cash Orders on any other town	1-8th per cent.
ENGLISH and SCOTCH.	Cash Orders returned unpaid	1-8th per cent.
ENGLISH and SCOTCH.	Minimum Charge where the Rate is 1-8th	6 *d.*
ENGLISH and SCOTCH.	Bank of England Notes or Post Bills	1 *s.* 6 *d.* per cent.
	DRAFTS ISSUED.	
IRISH	Drafts on any town in Ireland	3 *d.* up to 50 *l.* 6 *d.* from 50 *l.* to 300 *l.* 1 *s.* from 300 *l.* upwards.
ENGLISH and SCOTCH.	Drafts on London at Seven Days' Date	Free.
ENGLISH and SCOTCH.	Drafts on Demand on any town in England where Bank of England has a Branch, or any town in Scotland, as follows, viz.:	
ENGLISH and SCOTCH.	For Sums not exceeding 30 *l.*	6 *d.*
ENGLISH and SCOTCH.	For Sums from 30 *l.* to 50 *l.*	9 *d.*
ENGLISH and SCOTCH.	For Sums exceeding 50 *l.*	1 *s.* 6 *d.* per cent.
ENGLISH and SCOTCH.	Drafts on all other English Provincial towns	2 *s.* 6 *d.* per cent.
ENGLISH and SCOTCH.	Minimum Charge on such	6 *d.*
	LODGMENTS RECEIVED.	
IRISH	At any place for Credit of an Account elsewhere (except from the Account-holder, or his traveller or rent-agent, for his own credit, in which case free)	3 *d.* up to 50 *l.* 6 *d.* from 50 *l.* to 300 *l.* 1 *s.* from 300 *l.* upwards.
ENGLISH	In London, for Accounts in Ireland	1 *s.* 6 *d.* per cent.
ENGLISH	In any other town in England or Scotland	1-8th per cent.
ENGLISH	Minimum Charge	6 *d.*
	RETIRING BILLS IN LONDON.	
	With Two Days' Notice in Dublin, and Three in the Country	2 *s.* 6 *d.* per cent.
	SHIPPING DOCUMENTS.	
	Taking up and remitting proceeds	2 *s.* 6 *d.* per cent.
	OPENING CREDIT IN LONDON.	
	To be Drawn for from Abroad, after sight or date	10 *s.* per cent.
	Ditto on demand	5 *s.*

Appendix, No. 12.

PAPER handed in by Mr. *Du Bedat*, 7 June 1875.—(In answer to Question 3349.)

BANK of IRELAND POST BILLS outstanding at the following Periods:— Appendix, No. 12.

	£.
November 1845	386,300
„ 1850	289,500
„ 1855	269,400
„ 1860	208,600
„ 1865	111,800
„ 1870	72,400
June 1875	60,800

RETURN of the AVERAGE ISSUES of BANKS in *Ireland*, as published, in each November from 1846 to 1874.

NAMES OF BANKS.	Circulation Authorised.	Total, 1846.	Total, 1847.	Total, 1848.	Total, 1849.	Total, 1850.	Total, 1851.	Total, 1852.	Total, 1853.	Total, 1854.	Total, 1855.	Total, 1856.	Total, 1857.	Total, 1858.	Total, 1859.	Total, 1860.
	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
Bank of Ireland - - -	3,738,428	4,431,000	3,274,350	2,907,925	2,678,075	2,740,600	2,512,525	2,843,000	3,054,625	3,246,650	3,391,025	3,559,200	3,509,250	3,367,650	3,586,400	3,295,000
Provincial Bank - - -	927,677	1,301,260	871,453	762,844	697,862	729,790	680,315	821,971	964,382	1,008,693	1,046,258	1,149,078	1,056,209	1,035,932	1,156,256	1,151,827
Belfast Banking Company - -	281,611	406,581	271,705	254,468	228,095	272,652	310,295	425,990	508,332	493,787	499,392	523,059	413,459	440,815	463,840	470,627
Northern Banking Company -	243,440	252,731	179,156	188,808	186,529	207,368	201,137	236,541	280,680	278,254	297,040	314,945	294,310	306,742	314,089	329,532
Ulster Banking Company - -	311,079	375,696	217,792	227,708	219,966	269,839	282,733	400,738	474,998	481,020	474,610	520,430	446,541	478,193	458,908	517,230
National Bank - - - - -	852,269	1,069,557	704,858	684,964	675,736	774,057	725,884	894,912	1,096,203	1,149,908	1,255,950	1,359,028	1,052,876	1,205,783	1,274,842	1,384,563
£.	6,354,494	7,836,825	5,519,314	5,026,717	4,686,263	4,994,306	4,712,889	5,623,152	6,379,220	6,658,312	6,964,275	7,425,740	6,772,645	6,835,115	7,254,335	7,148,779

NAME OF BANKS.	Circulation Authorised.	Total, 1861.	Total, 1862.	Total, 1863.	Total, 1864.	Total, 1865.	Total, 1866.	Total, 1867.	Total, 1868.	Total, 1869.	Total, 1870.	Total, 1871.	Total, 1872.	Total, 1873.	Total, 1874.
	£.	£.	£.	£	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
Bank of Ireland - - - -	3,738,428	2,988,300	2,625,325	2,597,925	2,556,800	2,873,400	2,724,150	2,783,225	3,020,350	3,230,600	3,270,600	3,444,925	3,504,325	3,276,425	3,070,400
Provincial Bank - - -	927,667	1,016,479	935,265	941,081	903,486	1,001,185	986,391	998,947	1,089,718	1,151,552	1,097,410	1,175,828	1,164,502	1,075,733	967,882
Belfast Banking Company - -	281,611	438,354	390,173	413,969	397,689	535,730	544,288	537,056	557,441	535,371	538,534	608,410	571,724	533,134	559,580
Northern Banking Company -	243,440	302,077	308,773	358,774	355,655	460,052	466,978	469,979	495,195	489,534	493,314	595,024	595,962	539,117	551,732
Ulster Banking Company - -	311,079	463,428	450,080	467,060	482,180	604,812	597,359	577,282	586,886	607,109	690,194	823,331	803,988	752,965	824,480
National Bank - - - - -	852,269	1,299,559	1,213,771	1,236,892	1,260,499	1,412,746	1,233,455	1,177,781	1,310,199	1,367,014	1,421,024	1,814,437	1,639,694	1,464,354	1,534,428
£.	6,354,494	6,458,197	5,923,387	6,015,701	5,956,309	6,887,925	6,552,621	6,544,270	7,059,789	7,381,180	7,511,076	8,461,955	8,280,195	7,641,728	7,508,502

Appendix, No. 13.

PAPER handed in by Mr. *G. Readman*, 10 June 1875 (in answer to Question 3624.) Appendix, No. 13.

CASE for the Clydesdale Banking Company.

For the Opinion of Counsel.

The Clydesdale Banking Company was established and commenced business in 1838; and by contract of copartnery, executed by the partners in that year, they formed themselves into a joint stock banking company for "carrying on the business of banking in all its branches and departments" in Glasgow "and such other towns, cities, and places *in Scotland*" as the ordinary directors might think fit, and that under the rules and articles, stipulations and conditions therein specified, a copy of the contract is herewith submitted.

The fifth Article of the Contract (page 11) provides that the trade and business of the company should consist of banking in all its branches, and then specifies in detail the contemplated operations of the bank, such as issuing notes, receiving deposits, making advances on cash credits, investments, &c.

The 23rd Article (page 30) confers power on the ordinary directors "to establish branches or agencies of the company in such towns, cities, or places in Scotland, *or elsewhere*, as they may deem advantageous to the interests of the company with such managers or agents, clerks and other servants, and either with or without *local boards of management*, and under such regulations, restrictions, and conditions as the said ordinary directors may determine upon."

The directors have had under consideration the expediency of establishing a branch or agency with a local board of management in London, provided this can be accomplished without bringing them within the operation of the English Joint Stock Bank Act (7 & 8 Vict. c. 113 (5th September 1844), and the Extension Act to Scotland (9 & 10 Vict. c. 75; 26th August 1846), but before taking any steps in the matter they are desirous of being advised by counsel, whether there are any legal impediments to their doing so, either under the common or statute law of England, or under their contract of copartnery.

The memorialists assume that under the common law of the kingdom it is competent for any party to carry on the business of banking in any part of the kingdom, and that consequently any restrictions which may exist must be imposed by statute. They therefore propose shortly to advert to the statutes which appear to them to bear on the subject; but counsel will please to understand that while it is a principal and leading object of these statutes to provide for the issuing of notes, and for the regulation thereof, it is not in the contemplation of the memorialists to issue their notes in England, but merely to carry on ordinary banking business, such as transacting business and exchanges in London connected with the head office and branches in Scotland, receiving deposits, negotiating letters of credit, discounting bills, &c., lending money on securities, &c.

The statute 39 & 40 Geo. 3, c. 28 (28th March 1800), recites the previous statutes applicable to the exclusive privileges of banking conferred on the Bank of England, and contains a declaratory clause (Section 15) that no company with more than six partners in England shall borrow, owe, or take up any money on their bills, or notes payable on demand, or at any less time than six months during the continuance of the Bank of England's privilege of exclusive banking which could not be withdrawn prior to 1st August 1833.

The statute 7 Geo. 4, c. 46 (26th May 1826), repeals the Bank of England's privilege of exclusive banking in England in all places exceeding sixty-five miles from London, and authorises companies, though consisting of more than six persons, to carry on business as bankers in England beyond sixty-five miles from London on the conditions therein specified, the most important of which are that such company shall not have a place of business in London, or within sixty-five miles of it, and that their bills and notes payable on demand shall not be payable at any place within that distance.

The statute of 3 & 4 Will. 4, c. 98 (29th August 1833), passed on the expiry of the Bank of England's exclusive privilege, was directed to confer upon the Bank of England "certain privileges for a limited period under certain conditions." These exclusive privileges were to terminate on one year's notice being given after the expiration of 10 years from 1st August 1834, on the conditions therein specified being complied with. The second section of that statute enacts that no company having more than six partners shall make or issue in London, or within 65 miles thereof, any bill, promissory note, or engagement payable on demand, but providing that nothing contained in that Act, or in the Act of 7 Geo. 4, should prevent any company carrying on banking business at a greater distance than 65 miles from London, and not having any establishment as bankers in London, or within 65 miles thereof, "except as hereinafter mentioned," to issue their bills or notes payable on demand, or otherwise, at the place at which they should be issued, being more than 65 miles from London, and also in London, and to have an agent in London or other place at which the bills should be payable, "for the purpose of payment only, such bills

Appendix, No. 13.

not being for less than 5 *l.*" Then follows a declaratory section (Section 3) which proceeds on the preamble that the intention of the Act was that the Bank of England should continue to enjoy the exclusive privileges of banking given by the recited Acts of Geo. 3 & Geo. 4, or any prior or subsequent Acts; that doubts had arisen as to the construction of these Acts, and as to the extent of such exclusive privilege, and that it was expedient that such doubts should be removed; therefore it was declared and enacted, "that any company, although consisting of more than six persons, might carry on the trade or business of banking in London, or within 65 miles thereof, provided that such company do not borrow, owe, or take up in England any sum or sums of money, or their bills or notes payable *on demand, or at any less time than six months from the borrowing thereof*, during the continuance of the privileges granted by the said Act to the Bank of England."

The Statute 7 & 8 Vict. c. 32 (19th July 1844), was passed for regulating the issue of bank notes, and for continuing to the Bank of England the privileges of exclusive banking, with the alterations, and upon the conditions therein contained. After providing for the separation of the issue of notes department from the general banking business of the company, the Act provides (Section 10), that no person other than a banker who, on 6th May 1844, was lawfully issuing his own bank notes, should issue bank notes in any part of the United Kingdom. The 11th section provides, that after the passing of the Act it should not be lawful for any banker to draw, accept, make, or issue in England or Wales, any bill of exchange or promissory note, or engagement for the payment of money, *payable to bearer on demand*, or to borrow, owe, or take up in England or Wales, any sums or sum of money on the *bills or notes* of such banker, *payable to bearer on demand*, save and except that it shall be lawful for any banker who, on 6th May 1844, was carrying on the business of a banker in England or Wales, and was then lawfully issuing there his own bank notes, under the authority of a license to that effect, to continue to issue such notes to the extent, and under the conditions therein mentioned. The Act then contains special provisions regarding the issue of banks whose right to issue was reserved.

The 21st section requires every banker in England and Wales, who was then carrying on or should thereafter carry on business as such, to make a return to the Commissioners of Stamps and Taxes in London, on or within 15 days after the first day of January in each year, of the name, residence, and occupation of the partners of the company, firm, manager, &c.

The 26th section enacts that, after the passing of the Act, it should be lawful for any company, though exceeding six in number, carrying on the business of banking in London, or within 65 miles thereof, to draw, accept, or endorse bills of exchange, not being payable to bearer on demand, notwithstanding of anything to the contrary in the said Act of 3 & 4 Will 4, c. 92, or in any other Act.

The Acts before recited relate to the exclusive privileges of *the Bank of England.* Those now to be adverted to apply to the regulation of *Joint Stock Banks in the United Kingdom.*

The first and leading statute is that of 7 & 8 Vict. c. 113 (5th September 1844), intituled "An Act to regulate Joint Stock Banks in England," the first section of which enacts "that it should not be lawful for any company of more than *six persons* to carry on the trade or business of bankers in England, after the passing of this Act, under any agreement or covenant of copartnership *made or entered into on or after the sixth day of May last passed*, unless by virtue of letters patent to be granted by Her Majesty, according to the provision of this Act: but nothing herein contained shall be construed to restrain any such company established *before* the said sixth day of May for the purpose of carrying on the said trade or business of bankers in England from continuing to carry on the same trade and business as legally as they might have done before the passing of this Act, until *Letters Patent* should have been granted to them severally on their application, as thereinafter provided, to be made subject to the provisions of this Act."

7 & 8 Vict. c. 322.
7 & 8 Vict. c. 113.

It will be perceived that the date of 6th May 1844, referred to in the last Act renewing the Bank of England's privileges, is the date after which, in terms of the Joint-Stock Bank Act, no company shall be allowed to carry on the business of bankers under any agreement *made after that date*, unless *under Letters Patent* granted in terms of the Act.

7 & 8 Vict. c. 113.

The prohibitory clause of the Statute of 1844 is quite specific, that no company shall carry on business as bankers in England after the passing of the Act unless (1.) their contract of copartnership was dated before 6th May 1844, or (2) under Letters Patent issued by virtue of the Act. But the question arises whether this prohibition had the effect of preventing a Scotch bank, established before 6th May 1844, under a contract which expressly contemplated the establishment of branches elsewhere in the United Kingdom, establishing a branch or agency in London or elsewhere in England.

The saving clause which immediately follows the prohibition does not appear to be very logically framed, inasmuch as it provides that nothing contained in the Act should be construed to restrain any company established before 6th May 1844, for the purpose of carrying on the business of bankers in England "from *continuing* to carry on the same *trade and business*, as legally as they *might have done* before the passing of this Act," until Letters Patent should have been granted to them as therein provided, if they chose to apply for such Letters Patent. The expression "*continuing*" would appear to imply that the Act intended to reserve to banking companies such banking business only as they *both* possessed the right to carry on, and were actually carrying on at 6th May 1844, whereas the expression "as legally as *they might have done*" seems to imply that it intended to reserve to them all such business as at and prior to 6th May 1844, which they had the right to carry on, whether they were actually carrying it on at that date or not. This want of consistency in the

the clause may have arisen from inadvertence, but it may perhaps be reconciled by holding that the Statute was so worded in order not to approbate or ratify the *continuance* of a business which had been previously *illegally* carried on.

Whatever might have been the intention of the saving clause, it does not appear to be possible to construe it as *extending the prohibition* contained in the leading part of the section.

By the Act 9 & 10 Vict. c. 75 (26th August 1846), intituled "An Act to regulate Joint Stock Banks in Scotland and Ireland," the Act of 7 & 8 Vict. c. 113, is extended to Scotland and Ireland, and to every company of more than six persons who should carry on the business of bankers in Scotland or Ireland after the passing of the Act; and it is declared that the Act 7 & 8 Vict. c. 113, shall be read as if the words "United Kingdom of Great Britain and Ireland," were substituted for the word "England," wherever this last word occurs throughout the statute. As this statute does not confer any powers or privileges on bankers in Scotland or Ireland, but merely extends the provisions of the English statute to these portions of the United Kingdom, it does not appear that it can cover any right to carry on banking business in England which did not exist under the English statute.

Reference will now be made to the statutes affecting the business of banking in Scotland in their chronological order.

The first Act is 7 Geo. 4, c. 67 (26th May 1826), regulating the mode in which banking companies in Scotland may sue and be sued, whereby every company then, or which might *thereafter* be established in Scotland for the purpose of banking, may sue and be sued in the name of the manager, or other officer whose name shall be registered at the Stamp Office in Edinburgh, and which company shall otherwise comply with the provisions of the Act. The powers of such officer are not confined to Scotland, but are very broad and comprehensive.

The next Act in the order of time is that of 8 & 9 Vict. c. 38 (21st July 1845), for regulating "the issue of bank notes in Scotland." The first section, after reciting the Act 7 & 8 Vict. c. 32, s. 10, prohibiting any person other than a banker who, on 6th May 1844, was lawfully issuing his own bank notes from issuing notes in any part of the United Kingdom, and setting forth that it is expedient to regulate the issue of bank notes by bankers then authorised to issue the same in Scotland, enacts that every banker claiming to be entitled to issue notes in Scotland shall give notice of such claim to the Commissioners of Stamps and Taxes at their office in London, who shall ascertain if such banker was on 6th May 1844, and up to 1st May 1845, carrying on the business of a banker, and lawfully issuing his own notes in Scotland, and, if so, shall fix the amount to which his future issue shall be restricted in terms of the provisions of the Act. The 13th section requires every banker who was then, or should thereafter, carry on business in Scotland (except three chartered banks), to lodge on or within 15 days of 1st January in each year, a return of the name, firm, partners, &c., of the company, under certain penalties. This clause is in precisely the same terms as the corresponding clause, Section 21, of 7 & 8 Vict. c. 32, with the exception that whereas by the latter statute the Commissioners of Stamps and Taxes are required to publish annually in some newspaper "circulating within each town or county respectively" (that is apparently in each one where the bank carries on business), the names of the partners, &c., they are only required by the Scotch statute to publish the same in a newspaper circulating in each town or county respectively in which the head office of such bank is situated. Assuming that a Scotch bank is now entitled to establish a bank in London, it does not appear that it would require to make any additional return to what it makes at present, although the Commissioners for Stamps and Taxes might require to publish the return in a London newspaper.

The next statute is that of 9 & 10 Vict. c. 75 (26th August 1846), extending the English statute of 1844 to the United Kingdom, to which reference has already been made.

A Statute was passed last year, 17 & 18 Vict. c. 73, providing for the right of lien of banking companies over the shareholders' stock, and so far altering the Statute of 1844, but it does not contain any enactment affecting the subject of the present memorial.

As before stated, the Clydesdale Banking Company was established in 1838, in which year the partners executed the contract of copartnery, whereby they resolved, contracted, and agreed to form, and thereby formed themselves into a joint stock banking company for carrying on the business of banking in all its branches and departments, within the town or city of Glasgow, and such other towns, cities, and places in *Scotland* as the ordinary directors for the time might think fit. Then follow the rules, articles, stipulations and conditions on which the business is to be conducted; and by the 23rd Article the ordinary directors are authorised to establish branches or agencies of the company in such towns, cities, or places in Scotland *or elsewhere* as they might deem advantageous to the interests of the company, with such managers or clerks, or other servants, and either with or without local boards of management, and under such regulations, restrictions, and conditions, as the ordinary directors might determine upon.

The company commenced business in 1838, and since that time has issued notes and carried on every department of banking business in Scotland, the head office being in Glasgow. They have established branches in several towns in *Scotland*, but none "*elsewhere*." On the Act of 1845, regulating the issue of bank notes in Scotland, being passed, the company gave notice to the Commissioners of Stamps and Taxes of their claim to issue, which was allowed, and the amount was fixed, and they have continued to issue notes in terms of that Statute.

The Company has not placed itself within the operation of the Joint Stock Bank Act of

Appendix, No. 13.

1844, extended to Scotland in 1846, and has not taken a charter in virtue of these statutes, but continues to carry on business under the reservation in favour of then existing companies contained in the Acts. The provision of these Acts would be so injurious to the existing joint stock banks in Scotland that none of them has taken a charter.

In submitting this statement to counsel the memorialists labour under the disadvantage of not being familiar with the statute or common law of England regarding banking; and while they have referred to the statutes which appear to them to apply to the competency of their establishing a branch in England, they beg that counsel will understand that his opinion is requested on a consideration of the *general question*, and not with reference merely to the statutes specially referred to. The memorialists are unable to perceive any prohibition against their establishing a branch in England, provided they do not issue their notes out of Scotland, or draw, endorse, or accept bills payable to the bearer on demand in England; but, as the matter is of very serious consequence, they desire to have all questions involved carefully considered before taking steps to carry into execution their contemplated object. While, therefore, they request the opinion of counsel on the general question, they beg to submit the following queries for special consideration:

1. Is it competent for the memorialists, being a bank established prior to 6th May 1844, with power by its constitution to establish agencies not only in Scotland, but elsewhere in the United Kingdom, either with or without local boards of management, to establish such an agency in London, and, if so, could they carry on, at such agency or branch in London, banking business in all its departments, except the issuing notes in England, and the drawing, accepting, or endorsing bills of exchange payable to bearer on demand, which is prohibited by 7 & 8 Vict. c. 32, section 26?

2. Does the circumstance of the memorialists being a bank of issue in Scotland, preclude it from carrying on the general business of banking in London or elsewhere in England, without a charter obtained in virtue of the Act of 1844?

3. If the memorialists can competently establish agencies or branches in London or elsewhere in England, do they require to adopt any measures preliminary to doing so, such as registering in England, in terms of the English Statutes, an officer in whose name they may sue or be sued?

4. Assuming that by common and statute law the memorialists could competently establish branches or agencies in England, do the special terms of the contract of copartnery, whereby the company was established for carrying on the business of banking in Glasgow, and such other towns, cities, and places *in Scotland*, as the directors might think fit, but with power to the directors to establish branches or agencies in such towns, cities, or places in Scotland, *or elsewhere*, as they might deem advantageous, create any impediment t their establishing such branches or agencies, &c.?

5. In the event of the memorialists establishing a branch or agency in London, would the Crown, the Bank of England, or any private party have a title and interest to challenge such proceeding; and, if it were illegal, what would be the consequences?

Opinion of Counsel.

1. I am of opinion that this question should be answered, throughout, in the affirmative.

2. I think not, subject, however, to the observation, that the business to be established and carried on in London, or elsewhere in England, ought to have strictly and properly the character of an agency, and not that of a primary or independent business.

3. I think no registration is necessary, or ought to be made, under the English Statutes. The branches or agencies, which may be opened in England, ought to be returned, under the Act 7 Geo. 4, c. 67, if any bills or notes are to be issued there; but (as it would appear) not otherwise.

4. I think the special terms of the contract of copartnery offer no impediment, but the reverse. It is, in fact, only because the 23rd article of the contract authorises the establishment of such branches or agencies, in Scotland *or elsewhere*, that I think they can lawfully be established; and it will, of course, be understood that I assume that everthing will be done by virtue of, and in strict conformity, with that authority.

5. If the proposed acts were illegal, I conceive they would constitute a misdemeanour, and might be challenged by the Crown; and, if contrary to the privileges of the Bank of England, they might be restrained, at the suit of that corporation, by bill in equity. The company might be liable to fine in case of a Crown prosecution; and their contracts with private persons, in the course of such (supposed) illegal business, might be held void, and incapable of being enforced. If, however, the opinion which I have formed upon the questions already answered is correct, the acts intended to be done would not be illegal; and, therefore, no penalties or other mischief will be liable to come therefrom.

27 November 1855.' *Roundell Palmer.*

Appendix, No. 14.

PAPERS handed in by Mr. *R. H. Inglis Palgrave.*

STATEMENT respecting the NOTE CIRCULATION of GREAT BRITAIN and IRELAND, for the Years 1844 to 1874. By *Robert Harry Inglis Palgrave.*

Appendix, No. 14.

Note.—Columns of *proportional figures* are added to all the statements of amounts in order to assist the reader in tracing the course of the note circulation. The *average* of the period under consideration is taken as = 100 in those Tables which contain statements of the *monthly* amounts. The *first year* in the period is taken as = 100 in those Tables which contain statements of the *yearly* amounts. Columns of *per-centages* are added to such of the Tables as require it. The *columns containing proportional figures and per-centages are printed in a different type throughout*, for facility of reference.—*R. H. Inglis Palgrave.*

CONTENTS.

PAGE

TABLE I.—Exports and Imports of United Kingdom, Amounts passed through the London Clearing House, and the Total Bank Note Circulation of all the Issuing Banks in the United Kingdom, 1844 and 1868 to 1874 - - - - - - - - - - - - - - - - - - 485

TABLE II.—Annual Averages of Authorised and Actual Issues of Private Banks in England and Wales during the years 1844 to 1874 - - - - - - - - - - - - - - - - 486

TABLE III.—Annual Averages of Authorised and Actual Issues of Joint Stock Banks in England and Wales during the years 1844 to 1874 - - - - - - - - - - - - - - - 486

TABLE IV.—Annual Averages of the Authorised and Actual Issues of both Private and Joint Stock Banks in England and Wales during the years 1844 to 1874 - - - - - - - - - 487

TABLE V.—Annual Averages of Total English Country Note Circulation for the Years 1845 to 1874, showing that the fluctuations in it from month to month recur periodically in each Year - 487

TABLE VI.—Averages of the Total English Country Note Circulation for the Ten Years, 1845 to 1854, 1855 to 1864, 1865 to 1874, and for the Thirty Years 1845 to 1874; showing that the fluctuations which take place from Month to Month in the English Country Note Circulation recur periodically in each Year - - - - - - - - - - - - - - - - 489

TABLE VII.—Statement of the *increase* in the Provincial Note Circulation of England in October compared with August in each Year, and the Annual Averages of the Provincial Note Circulation from 1845 to 1874 - - - - - - - - - - - - - - - - - - 489

TABLE VIII.—Statement of the *diminution* in the Provincial Note Circulation of England in August as compared with April in each Year, and the Annual Averages of the Provincial Note Circulation from 1845 to 1874 - - - - - - - - - - - - - - - - - 491

TABLE IX.—Names of Banks, both Private and Joint Stock, in England and Wales, Authorised to Issue Notes in April 1875; the amounts of the *Authorised* Issue and of the *Actual* Average Issue of each Bank during the Year 1874; the proportion of each Actual Issue to the Authorised Issue, the names of the places where the Head Office of each Bank is situated; and a description of the locality in which the business is carried on - - - - - - - - - - - - - - - 493

TABLE X.—Annual Averages of Total Scotch Note Circulation for the Years 1845 to 1874; showing that the fluctuations in it from Month to Month recur periodically in each Year - - - - - - 500

TABLE XI.—Averages of Total Scotch Note Circulation for the Ten Years 1845 to 1854, 1855 to 1864, 1865 to 1874, and for the Thirty Years, 1845 to 1874; showing that the fluctuations which take place in the Scotch Note Circulation recur periodically in each Year - - - - - - 501

TABLE XII.—Names of Banks in Scotland Authorised to Issue Notes; the amounts of the Authorised Issue and of the Actual Average Issue of each Bank during the Year 1874. The proportion of each Issue to the Authorised Issue; the amounts and proportion of £. 1 Notes, of Notes of £. 5 and upwards, Issued by each Bank; the names of the places where the Head Office of each Bank is situated; and the number of the Branches - - - - - - - - - - 502

TABLE XIII.—Annual Averages of Total Irish Note Circulation for the Years 1845 to 1874; showing that the fluctuations in it from Month to Month recur periodically in each Year - - - - - 502

TABLE XIV.—Averages of Total Irish Note Circulation for the Ten Years 1845 to 1854, 1855 to 1864, 1865 to 1874, and for the Thirty Years, 1845 to 1874; showing that the fluctuations which take place in the Irish Note Circulation recur periodically in each Year - - - - - - 504

TABLE XV.—Names of Banks in Ireland Authorised to Issue Notes; the amounts of the Authorised Issue and of the Actual Average Issue of each Bank during the Year 1874; the proportion of each Issue to the Authorised Issue; the amounts and proportion of £. 1 Notes, of Notes of £. 5 and upwards Issued by each Bank; the names of the places where the Head Office of each Bank is situated; and the number of the Branches - - - - - - - - - - - 504

Appendix, No. 14.

PAGE

TABLE XVI.—Annual Averages of Bank of England Circulation, showing the fluctuations in it for each Month, for the Years 1845 to 1874 - - - - - - - - - - - - - - 505

TABLE XVII.—Averages of Bank of England Circulation for the Ten Years 1845 to 1854, 1855 to 1864, 1865 to 1874, and for the Thirty Years 1845 to 1874; showing the fluctuations in the Circulation during those periods - - - - - - - - - - - - - - - 506

TABLE XVIII.—Annual Averages of the Total Note Circulation of the United Kingdom, showing the proportion *issued against* gold, the proportion *not issued against* gold, and the fluctuations in the same for each Month, for the Years 1845 to 1874 - - - - - - - - - - - - 507

TABLE XIX.—Averages of the Total Note Circulation of the United Kingdom, showing the proportion *issued against* gold, the proportion *not issued against* gold, and the fluctuations in the same for the Ten Years 1845 to 1854, 1855 to 1864, 1865 to 1874, and for the Thirty Years 1845 to 1874 - 517

TABLE XX.—Annual Averages of the Total Circulation of Notes in the United Kingdom, showing the Provincial Circulation of Notes of the Bank of England, the Metropolitan Circulation of Notes of the Bank of England, the Total Circulation of Notes of the Bank of England, the Circulation of the Private and Joint Stock Banks in England and Wales, the Circulation in Scotland and Ireland, the Annual Averages of the proportion of the Total Circulation *issued against gold*, and of the proportion *not issued against* gold; the number of fluctuations in the Bank Rate of Discount in each Year, the Average Rate of Discount, and the Annual Average of the Reserve of the Bank of England - 518

TABLE XXI.—Annual Averages of the Bank of England Reserve and Liabilities, showing the Amounts and Proportions of these and the fluctuations in them for each Month, for the Years 1845 to 1874 - 521

TABLE XXII.—Averages of the Bank of England Reserve and Liabilities, showing the Amounts and Proportions of these, and the fluctuations in them for the Ten Years 1845 to 1854, 1855 to 1864, 1865 to 1874, and for the Thirty Years 1845 to 1874 - - - - - - - - - 525

TABLE XXIII.—Average rate of Discount for first-class Bills during each Month for the Twenty Years 1825 to 1844 - 525

TABLE XXIV.—Monthly Averages of rate of Discount for first-class Bills, showing the fluctuations in the same for each Month, from 1825 to 1844 - - - - - - - - - - - - - 526

TABLE XXV.—Averages of the rate of Discount for first-class Bills, for the Ten Years 1825 to 1834, 1835 to 1844, and for the Twenty Years 1825 to 1844, showing the fluctuations in the same - 527

TABLE XXVI.—Average Minimum rate of Discount charged by the Bank of England during each Month, for the Thirty Years 1845 to 1874 - - - - - - - - - - - - - - - - - 527

TABLE XXVII.—Monthly Averages of Minimum rate of Discount charged by the Bank of England, showing the fluctuations in the same during each Month for the Thirty Years 1845 to 1874 - 528

TABLE XXVIII.—Averages of the Minimum rate of Discount charged by the Bank of England for the Ten Years 1845 to 1854, 1855 to 1864, 1865 to 1874, and for the Thirty Years 1845 to 1874, showing the fluctuations in the same - - - - - - - - - - - - - - - - 529

TABLE XXIX.—Table of the number of times the rate of Discount charged in each Month has been above, below, or equal to the Average of the Year, for the Fifty Years 1825 to 1874 - - 530

TABLE XXX.—Returns of the London Clearing House, showing the fluctuations in the same, Month by Month, for the Years 1868 to 1874, and for the Seven Years 1868 to 1874 - - - 531

Metropolitan and Provincial Circulation of the Bank of England, 1842–47 - - - - - - 532

Proportion of Notes to Deposits in various Banks - - - - - - - - - - - - - - 534

Return of Daily Circulation of Notes at Messrs. Gurney's Bank, Yarmouth, December and January 1872–75 - 536

Banking Law of Sweden, and Amendments - - - - - - - - - - - - - - 539

Rules for the conduct of a Clearing of Country Cheques in London - - - - - - - - 546

Estimate made by F. Hendriks, Esq., Actuary of the Universal Life Assurance Society, 7th June 1875 - 547

British Gold Coinage in Circulation in 1875 - - - - - - - - - - - - - - 547

Proportion of Deposits held by 36 Issuing Banks in England in 1874, as compared with 1844 - 548

Replies received from 36 Issuing Joint Stock Banks in England and Wales, as to the proportion borne by their Circulation to their Deposits in the Years 1844 and 1874 respectively - - 548

Replies received from 36 Issuing Joint Stock Banks in England and Wales as to the Amounts of Deposits held by them in the Years 1844 and 1874 respectively, and the proportion borne by their Circulation to their Deposits at both dates - - - - - - - - - - - - - - - 548

Replies received from 25 Issuing Banks in England and Wales, as to the proportion of their Capital Circulation in 1844 and 1874 respectively - - - - - - - - - - - - - - - 549

Statement as to the position of 59 Banks, Issuing and Non-Issuing, in England and Wales in 1875 549

Replies received from 21 Issuing Banks in England and Wales, as to the Amounts, of their Capital, and Deposits, and Circulation, 1844 and 1874 respectively - - - - - - - - - - - 549

TABLE I.—EXPORTS and IMPORTS of *United Kingdom*, Amounts passed through the LONDON CLEARING HOUSE, and the TOTAL BANK NOTE CIRCULATION of all the ISSUING BANKS in the *United Kingdom*.

YEAR.	1. Declared Value of Exports and Imports.	2. Increase of Exports and Imports. 1844=100.	3. Amount of Clearing	4. Increase of Clearing since 1844. 1844=100.	5. Decimal Proportion of Total Exports and Imports to Clearing.	6. Total Bank Note Circulation in the United Kingdom.	7. Proportion of Exports and Imports together to Note Circulation. Note Circulation =	8. Proportion of Note Circulation to Clearing. Circulation=1.	9. Increase in Bank Note Circulation since 1844. 1844=100.
1844:	£.		£.			£.			
Exports - -	59,000,000								
Imports - -	85,000,000								
TOTAL* -	144,000,000	= 100	(say) 1,500,000,000	= 100†	·96	37,380,000	Exports and Imports, say 3¾	Clearing, say 40	= 100
1868:									
Exports - -	179,000,000								
Imports - -	294,000,000								
TOTAL - -	473,000,000	328	3,466,000,000	231	·137	39,750,000	Exports and Imports, say 12	Clearing, say 87	106
1869:									
Exports - -	189,000,000								
Imports - -	295,000,000								
TOTAL - -	484,000,000	336	3,602,000,000	240	·134	39,850,000	Exports and Imports, say 12	Clearing, say 90	107
1870:									
Exports - -	199,000,000								
Imports - -	303,000,000								
TOTAL - -	502,000,000	347	3,904,000,000	260	·128	40,000,000	Exports and Imports, say 12½	Clearing, say 97	107
1871:									
Exports - -	222,000,000								
Imports - -	329,000,000								
TOTAL - -	551,000,000	382	4,777,000,000	318	·115	42,060,000	Exports and Imports, say 13	Clearing, say 113	112
1872:									
Exports - -	256,000,000								
Imports - -	354,000,000								
TOTAL - -	610,000,000	423	5,903,000,000	394	·103	43,600,000	Exports and Imports, say 14	Clearing, say 135	117
1873:									
Exports - -	255,000,000								
Imports - -	370,000,000								
TOTAL - -	625,000,000	434	6,161,000,000	411	·101	43,370,000	Exports and Imports, say 14½	Clearing, say 142	116
1874:									
Exports - -	239,000,000								
Imports - -	368,000,000								
TOTAL - -	607,000,000	421	5,916,000,000	394	·102	43,910,000	Exports and Imports, say 13¾	Clearing, say 135	117

* 1844, "Porter's Progress of the Nation," p. 356. The exports of British produce only are included, as more closely representing British trade than the total Exports, which include foreign and colonial produce.

† The amount passed by the principal banking houses in London at the Clearing House, in 1839, is given as 941,401,600 *l.* ("Principles of Money," by John Wade, 1842, p. 79.) As this statement is for 1839, and does not include the Bank of England nor the joint stock banks, nor *all* the private banks, a considerable increase is probable by 1844; the amount is therefore estimated at 1,500,000,000 *l.* in that year.

Appendix, No. 14.

TABLE II.—Annual Averages of Authorised and Actual Issues of Private Banks in *England* and *Wales* during the Years 1844 to 1874.

YEAR.	1. Authorised Issue.	2. Proportion of each Year to 1844. 1844 = 100.	3. Actual Average Issue.	4. Proportion of each Year to 1844. 1844 = 100.	5. Per-centage of *Actual* to *Authorised* Issue.
	£.		£.		Per cent.
1844	5,153,407	100	4,780,000	100	93
January 1845	5,011,097	97	4,510,000	94	90
„ 1846	5,009,021	97	4,550,000	95	91
„ 1847	4,995,569	97	4,320,000	89	88
„ 1848	4,841,889	94	3,660,000	76	76
„ 1849	4,815,456	93	3,560,000	74	74
„ 1850	4,802,583	93	3,580,000	75	74
„ 1851	4,788,883	93	3,460,000	72	72
„ 1852	4,698,071	91	3,550,000	74	75
„ 1853	4,655,615	90	3,800,000	79	82
„ 1854	4,616,605	89	3,770,000	79	82
„ 1855	4,609,868	89	3,830,000	80	83
„ 1856	4,570,367	88	3,750,000	78	82
„ 1857	4,494,919	87	3,620,000	76	80
„ 1858	4,404,940	85	3,240,000	68	73
„ 1859	4,395,217	85	3,440,000	72	78
„ 1860	4,395,217	85	3,440,000	72	78
„ 1861	4,395,217	85	3,220,000	67	73
„ 1862	4,338,190	84	3,220,000	67	74
„ 1863	4,319,593	84	3,140,000	66	73
„ 1864	4,251,004	82	3,110,000	65	73
„ 1865	4,203,118	81	2,950,000	62	70
„ 1866	4,117,696	80	2,760,000	58	67
„ 1867	4,088,519	79	2,730,000	57	67
„ 1868	4,079,493	79	2,740,000	57	67
„ 1869	4,032,908	78	2,730,000	57	68
„ 1870	4,032,908	78	2,590,000	54	64
„ 1871	3,975,545	77	2,680,000	56	67
„ 1872	3,941,291	77	2,700,000	56	68
„ 1873	3,916,514	76	2,640,000	55	67
„ 1874	3,875,809	75	2,600,000	54	67
„ 1875	3,845,908	74	—	—	—
10 April 1875	3,807,992	74	—	—	—

TABLE III.—Annual Averages of Authorised and Actual Issues of Joint Stock Banks in *England* and *Wales* during the Years 1844 to 1874.

YEAR.	1. Authorised Issue.	2. Proportion of each Year to 1844. 1844 = 100.	3. Actual Average Issue.	4. Proportion of each Year to 1844. 1844 = 100.	5. Per-centage of *Actual* to *Authorised* Issue.
	£.		£.		Per cent.
1844	3,495,446	100	3,390,000	100	97
January 1845	3,477,321	99	3,190,000	94	92
„ 1846	3,469,872	99	3,170,000	94	91
„ 1847	3,442,645	98	3,040,000	90	89
„ 1848	3,428,731	98	2,600,000	77	76
„ 1849	3,409,987	97	2,630,000	78	77
„ 1850	3,409,987	97	2,740,000	81	80
„ 1851	3,409,987	97	2,740,000	81	80
„ 1852	3,409,987	97	2,860,000	84	84
„ 1853	3,409,987	97	3,050,000	90	89
„ 1854	3,325,857	95	3,030,000	89	91
„ 1855	3,325,857	95	3,050,000	90	92
„ 1856	3,325,857	95	3,050,000	90	92
„ 1857	3,313,071	95	3,010,000	89	91
„ 1858	3,313,071	95	2,760,000	81	83
„ 1859	3,313,071	95	2,990,000	88	90
„ 1860	3,313,071	95	3,000,000	88	90
„ 1861	3,313,071	95	2,890,000	85	87
„ 1862	3,313,071	95	2,890,000	85	87
„ 1863	3,309,119	94	2,880,000	85	87
„ 1864	3,284,072	94	2,850,000	84	87
„ 1865	3,235,971	92	2,850,000	84	88
„ 1866	3,235,971	92	2,280,000	67	70
„ 1867	3,190,725	91	2,300,000	68	72
„ 1868	2,748,354	78	2,300,000	68	84
„ 1869	2,748,354	78	2,330,000	69	85
„ 1870	2,748,354	78	2,300,000	68	84
„ 1871	2,748,354	78	2,380,000	70	87
„ 1872	2,748,354	78	2,390,000	70	87
„ 1873	2,748,354	78	2,400,000	71	87
„ 1874	2,748,354	78	2,360,000	70	86
„ 1875	2,662,707	76	—	—	—
10 April 1875	2,652,993	76	—	—	—

TABLE IV.—Annual Averages of the Authorised and Actual Issues of both Private and Joint Stock Banks in *England* and *Wales* during the Years 1844 to 1874.

YEAR.	1. Authorised Issue.	2. Proportion of each Year to 1844. 1844 = 100.	3. Actual Average Issue.	4. Proportion of each Year to 1844. 1844 = 100.	5. Per-centage of *Actual* to *Authorised* Issue.
	£.		£.		Per cent.
1844	8,648,853	100	8,170,000	100	95
January 1845	8,488,418	98	7,700,000	94	91
„ 1846	8,478,893	98	7,720,000	94	91
„ 1847	8,438,214	97	7,360,000	93	90
„ 1848	8,270,620	96	6,260,000	76	76
„ 1849	8,225,443	95	6,190,000	76	75
„ 1850	8,212,570	95	6,320,000	77	77
„ 1851	8,198,870	95	6,200,000	76	76
„ 1852	8,108,058	94	6,410,000	78	79
„ 1853	8,065,602	93	6,850,000	84	85
„ 1854	7,942,462	92	6,800,000	83	86
„ 1855	7,935,725	92	6,880,000	84	87
„ 1856	7,896,224	91	6,800,000	83	86
„ 1857	7,807,990	90	6,630,000	81	85
„ 1858	7,718,011	89	6,000,000	73	78
„ 1859	7,708,288	89	6,430,000	79	84
„ 1860	7,708,288	89	6,440,000	79	84
„ 1861	7,708,288	89	6,110,000	75	79
„ 1862	7,651,261	88	6,110,000	75	80
„ 1863	7,628,712	88	6,020,000	74	79
„ 1864	7,535,076	87	5,960,000	73	79
„ 1865	7,439,089	86	5,800,000	71	78
„ 1866	7,353,667	85	5,040,000	62	68
„ 1867	7,279,244	84	5,030,000	61	69
„ 1868	6,827,847	79	5,040,000	62	74
„ 1869	6,781,262	78	5,060,000	62	74
„ 1870	6,781,262	78	4,890,000	60	72
„ 1871	6,723,899	78	5,060,000	62	75
„ 1872	6,689,645	77	5,090,000	62	76
„ 1873	6,664,868	77	5,040,000	62	76
„ 1874	6,624,163	76	4,960,000	61	75
„ 1875	6,508,615	75	—	—	—
10 April 1875	6,460,985	75	—	—	—

TABLE V.—Annual Averages of Total English Country Note Circulation for the Years 1845 to 1874; showing that the fluctuations in it from Month to Month recur periodically in each Year.

1845. Average of Year. £. 7,710,000 = 100.			1846. Average of Year. £. 7,730,000 = 100.			1847. Average of Year. £. 7,360,000 = 100.			1848. Average of Year. £. 6,280,000 = 100.			1849. Average of Year. £. 6,210,000 = 100.		
	£			£.			£.			£.			£.	
anuary -	7,690,000	99	Jan. -	7,850,000	102	Jan. -	7,890,000	107	Jan. -	6,220,000	99	Jan. -	6,270,000	101
ebruary -	7,550,000	98	Feb. -	7,580,000	98	Feb. -	7,750,000	105	Feb. -	6,150,000	98	Feb. -	6,160,000	99
Iarch -	7,560,000	98	March	7,710,000	100	March	7,790,000	106	March	6,170,000	98	March	6,100,000	98
pril -	7,990,000	103	April -	8,040,000	104	April -	8,020,000	109	April -	6,640,000	106	April -	6,560,000	105
Iay -	7,850,000	102	May -	7,860,000	102	May -	7,810,000	106	May -	6,520,000	104	May -	6,460,000	104
une -	7,520,000	97	June -	7,530,000	97	June -	7,410,000	101	June -	6,180,000	98	June -	6,100,000	98
uly -	7,640,000	99	July -	7,510,000	97	July -	7,330,000	99	July -	6,060,000	96	July -	6,080,000	98
ugust -	7,530,000	97	August	7,410,000	96	August	7,170,000	97	August	5,950,000	95	August	5,850,000	94
eptember	7,600,000	98	Sept. -	7,730,000	100	Sept. -	7,220,000	98	Sept. -	6,150,000	98	Sept. -	5,870,000	94
ctober -	8,120,000	105	Oct. -	8,090,000	105	Oct. -	7,560,000	103	Oct. -	6,750,000	107	Oct. -	6,550,000	105
ovember	7,860,000	102	Nov. -	7,840,000	101	Nov. -	6,490,000	88	Nov. -	6,540,000	104	Nov. -	6,450,000	104
ecember	7,680,000	99	Dec. -	7,660,000	99	Dec. -	5,950,000	81	Dec. -	6,110,000	97	Dec. -	6,140,000	99

1850. Average of Year. £. 6,330,000 = 100.			1851. Average of Year. £. 6,210,000 = 100.			1852. Average of Year. £. 6,410,000 = 100.			1853. Average of Year. £. 6,840,000 = 100.			1854. Average of Year. £. 6,830,000 = 100.		
	£.			£.			£.			£.			£.	
anuary -	6,370,000	101	Jan. -	6,300,000	101	Jan. -	6,230,000	97	Jan. -	6,770,000	99	Jan. -	7,030,000	103
ebruary -	6,260,000	99	Feb. -	6,160,000	99	Feb. -	6,130,000	96	Feb. -	6,650,000	97	Feb. -	6,920,000	101
Iarch -	6,230,000	98	March	6,110,000	98	March	6,180,000	97	March	6,730,000	98	March	6,900,000	101
pril -	6,610,000	104	April -	6,580,000	106	April -	6,580,000	103	April -	7,050,000	103	April -	7,100,000	104
Iay -	6,570,000	103	May -	6,530,000	105	May -	6,510,000	101	May -	6,960,000	102	May -	6,950,000	102
une -	6,230,000	98	June -	6,220,000	100	June -	6,250,000	97	June -	6,700,000	98	June -	6,620,000	97
uly -	6,260,000	99	July -	6,130,000	99	July -	6,310,000	98	July -	6,750,000	99	July -	6,510,000	95
ugust -	6,050,000	95	August	5,840,000	94	August	6,180,000	96	August	6,620,000	97	August	6,340,000	93
eptember	6,130,000	97	Sept. -	5,890,000	95	Sept. -	6,350,000	99	Sept. -	6,780,000	99	Sept. -	6,530,000	96
ctober -	6,650,000	105	Oct. -	6,430,000	104	Oct. -	6,890,000	108	Oct. -	7,160,000	105	Oct. -	7,100,000	104
ovember	6,440,000	102	Nov. -	6,310,000	102	Nov. -	6,760,000	105	Nov. -	7,080,000	103	Nov. -	7,080,000	104
ecember	6,140,000	97	Dec. -	6,050,000	97	Dec. -	6,560,000	102	Dec. -	6,840,000	100	Dec. -	6,880,000	101

TABLE V.—Annual Averages of Total English Country Note Circulation for the Years 1845 to 1874, &c.—*continued.*

1855.			1856.			1857.			1858.			1859.		
Average of Year. £. 6,900,000 = 100.			Average of Year. £. 6,790,000 = 100.			Average of Year. £. 6,640,000 = 100.			Average of Year. £. 5,990,000 = 100.			Average of Year. £. 6,430,000 = 100.		
	£.			£.			£.			£.			£.	
January -	7,050,000	102	Jan. -	7,000,000	103	Jan. -	6,800,000	102	Jan. -	5,650,000	94	Jan. -	6,320,000	
February -	6,760,000	98	Feb. -	6,700,000	99	Feb. -	6,640,000	100	Feb. -	5,500,000	92	Feb. -	6,260,000	
March -	6,860,000	99	March	6,780,000	100	March	6,770,000	102	March	5,690,000	95	March	6,360,000	
April -	7,140,000	103	April -	7,090,000	104	April -	7,000,000	106	April -	6,200,000	103	April -	6,680,000	
May -	7,010,000	102	May -	6,990,000	103	May -	6,880,000	104	May -	6,240,000	104	May -	6,490,000	
June -	6,780,000	98	June -	6,750,000	99	June -	6,870,000	104	June -	5,970,000	100	June -	6,290,000	
July -	6,780,000	98	July -	6,190,000	91	July -	6,620,000	100	July -	5,950,000	99	July -	6,290,000	
August -	6,500,000	94	Aug. -	6,490,000	95	Aug. -	6,370,000	96	Aug. -	5,800,000	97	Aug. -	6,190,000	
September	6,690,000	97	Sept. -	6,710,000	99	Sept. -	6,620,000	100	Sept. -	6,030,000	101	Sept. -	6,350,000	
October -	7,230,000	105	Oct. -	7,090,000	104	Oct. -	6,960,000	105	Oct. -	6,300,000	105	Oct. -	6,740,000	
November	7,100,000	103	Nov. -	6,940,000	102	Nov. -	6,470,000	97	Nov. -	6,390,000	107	Nov. -	6,740,000	
December	6,900,000	100	Dec. -	6,680,000	98	Dec. -	5,630,000	85	Dec. -	6,160,000	103	Dec. -	6,430,000	

1860.			1861.			1862.			1863.			1864.		
Average of Year. £. 6,450,000 = 100.			Average of Year. £. 6,130,000 = 100.			Average of Year. £. 6,120,000 = 100.			Average of Year. £. 6,040,000 = 100.			Average of Year. £. 5,980,000 = 100.		
	£.			£.			£.			£.			£.	
January -	6,590,000	102	Jan. -	6,360,000	104	Jan. -	6,260,000	102	Jan. -	6,050,000	100	Jan. -	6,070,000	
February -	6,350,000	98	Feb. -	6,150,000	100	Feb. -	6,100,000	100	Feb. -	5,910,000	98	Feb. -	5,980,000	
March -	6,410,000	99	March	6,120,000	100	March	6,050,000	99	March	5,970,000	99	March	6,010,000	
April -	6,710,000	104	April -	6,470,000	105	April -	6,430,000	105	April -	6,370,000	105	April -	6,310,000	
May -	6,590,000	102	May -	6,240,000	102	May -	6,270,000	102	May -	6,160,000	102	May -	6,210,000	
June -	6,350,000	98	June -	5,780,000	94	June -	5,980,000	98	June -	5,820,000	96	June -	5,920,000	
July -	6,450,000	100	July -	5,780,000	94	July -	5,950,000	97	July -	5,890,000	97	July -	5,980,000	
August -	6,270,000	97	Aug. -	5,680,000	93	Aug. -	5,780,000	94	Aug. -	5,750,000	95	Aug. -	5,790,000	
September	6,240,000	97	Sept. -	5,910,000	96	Sept. -	5,950,000	97	Sept. -	5,930,000	98	Sept. -	5,730,000	
October -	6,650,000	103	Oct. -	6,510,000	106	Oct. -	6,440,000	105	Oct. -	6,410,000	106	Oct. -	6,120,000	
November	6,500,000	101	Nov. -	6,470,000	105	Nov. -	6,270,000	102	Nov. -	6,280,000	104	Nov. -	5,940,000	
December	6,270,000	97	Dec. -	6,080,000	99	Dec. -	5,920,000	97	Dec. -	6,020,000	100	Dec. -	5,700,000	

1865.			1866.			1867.			1868.			1869.		
Average of Year. £. 5,790,000 = 100.			Average of Year. £. 5,150,000 = 100.			Average of Year. £. 5,100,000 = 100.			Average of Year. £. 5,050,000 = 100.			Average of Year. £. 5,050,000 = 100.		
	£.			£.			£.			£.			£.	
January -	5,700,000	98	Jan. -	5,740,000	111	Jan. -	5,400,000	106	Jan. -	5,190,000	103	Jan. -	5,160,000	
February -	5,720,000	99	Feb. -	5,410,000	105	Feb. -	5,010,000	98	Feb. -	5,040,000	100	Feb. -	5,050,000	
March -	5,630,000	97	March	5,320,000	103	Mar. -	4,970,000	98	Mar. -	5,070,000	100	March	5,080,000	
April -	5,890,000	102	April -	5,620,000	109	April -	5,260,000	103	April -	5,350,000	106	April -	5,330,000	
May -	5,870,000	101	May -	5,420,000	105	May -	5,150,000	101	May -	5,180,000	103	May -	5,210,000	
June -	5,640,000	97	June -	4,820,000	93	June -	4,910,000	96	June -	4,870,000	96	June -	4,840,000	
July -	5,210,000	90	July -	4,700,000	91	July -	4,890,000	96	July -	4,820,000	95	July -	4,870,000	
August -	5,580,000	96	Aug. -	4,650,000	90	Aug. -	4,740,000	93	Aug. -	4,720,000	93	Aug. -	4,760,000	
September	5,760,000	99	Sept. -	4,720,000	91	Sept. -	4,880,000	96	Sept. -	4,920,000	97	Sept. -	4,850,000	
October -	6,110,000	106	Oct. -	5,290,000	103	Oct. -	5,390,000	106	Oct. -	5,280,000	105	Oct. -	5,290,000	
November	5,900,000	102	Nov. -	5,200,000	101	Nov. -	5,270,000	103	Nov. -	5,150,000	102	Nov. -	5,170,000	
December	5,680,000	98	Dec. -	4,980,000	97	Dec. -	5,280,000	103	Dec. -	4,980,000	99	Dec. -	4,960,000	

1870.			1871.			1872.			1873.			1874.		
Average of Year. £. 4,910,000 = 100.			Average of Year. £. 5,050,000 = 100.			Average of Year. £. 5,100,000 = 100.			Average of Year. £. 5,070,000 = 100.			Average of Year. £. 4,980,000 = 100.		
	£.			£.			£.			£.			£.	
January -	5,310,000	108	Jan. -	5,050,000	100	Jan. -	5,190,000	102	Jan. -	5,130,000	101	Jan. -	5,210,000	
February -	4,910,000	100	Feb. -	4,890,000	97	Feb. -	5,030,000	99	Feb. -	5,010,000	99	Feb. -	5,050,000	
March -	4,890,000	100	March	4,910,000	97	March	4,970,000	97	March	4,990,000	99	March	5,020,000	
April -	5,180,000	106	April -	5,250,000	104	April -	5,370,000	105	April -	5,260,000	104	April -	5,240,000	
May -	5,070,000	103	May -	5,190,000	103	May -	5,230,000	103	May -	5,270,000	104	May -	5,130,000	
June -	4,780,000	97	June -	4,910,000	97	June -	4,970,000	97	June -	4,920,000	97	June -	4,970,000	
July -	4,690,000	95	July -	4,950,000	98	July -	5,030,000	99	July -	4,940,000	98	July -	4,760,000	
August -	4,500,000	92	Aug. -	4,960,000	97	Aug. -	4,940,000	97	Aug. -	4,830,000	95	Aug. -	5,640,000	
September	4,640,000	94	Sept. -	5,000,000	99	Sept. -	5,050,000	99	Sept. -	4,940,000	98	Sept. -	4,790,000	
October -	5,100,000	104	Oct. -	5,390,000	107	Oct. -	5,380,000	106	Oct. -	5,350,000	106	Oct. -	5,170,000	
November	5,060,000	103	Nov. -	5,220,000	103	Nov. -	5,150,000	101	Nov. -	5,210,000	103	Nov. -	5,030,000	
December	4,870,000	99	Dec. -	5,030,000	100	Dec. -	4,970,000	97	Dec. -	5,040,000	100	Dec. -	4,820,000	

TABLE VI.—Averages of Total English Country Note Circulation for the Ten Years 1845 to 1854, 1855 to 1864, 1865 to 1874, and for the Thirty Years 1845 to 1874; showing that the fluctuations which take place from Month to Month in the English Country Note Circulation, recur periodically in each Year.

	Average of Ten Years. 1845 to 1854. £. 6,794,000 = 100.		Average of Ten Years. 1855 to 1864. £. 6,344,000 = 100.	
	£.		£.	
January	6,862,000	101	6,415,000	101
February	6,731,000	99	6,235,000	98
March	6,748,000	99	6,302,000	99
April	7,117,000	105	6,640,000	105
May	7,002,000	103	6,508,000	103
June	6,676,000	98	6,251,000	98
July	6,658,000	98	6,170,000	97
August	6,494,000	96	6,062,000	95
September	6,625,000	98	6,216,000	98
October	7,130,000	105	6,645,000	105
November	6,885,000	101	6,510,000	103
December	6,601,000	97	6,179,000	97

	Average of Ten Years. 1865 to 1874. £. 5,118,000 = 100.		Average of Thirty Years. 1845 to 1874. £. 6,084,000 = 100.	
	£.		£.	
January	5,268,000	103	6,181,000	102
February	5,112,000	100	6,026,000	99
March	5,085,000	99	6,045,000	99
April	5,375,000	105	6,369,000	105
May	5,272,000	103	6,261,000	103
June	4,963,000	97	5,963,000	98
July	4,886,000	95	5,905,000	97
August	4,826,000	94	5,794,000	95
September	4,955,000	97	5,932,000	97
October	5,375,000	105	6,383,000	105
November	5,236,000	102	6,210,000	102
December	5,061,000	99	5,947,000	98

TABLE VII.—Showing the Increase in the Provincial Note Circulation of *England*, in October, as compared with August in each Year, and the Annual Average Provincial Note Circulation from 1845 to 1874.

YEAR.		Private and Joint Stock Bank Note Circulation in August and October.	Larger in October than in August.	Proportion to 1845. 1845=100.	Private and Joint Stock Banks.	Annual Average Circulation.	Total Average Circulation.	Proportion to 1845. 1845=100.
August	1845	7,526,000	- -	–	Private -	4,510,000		
October	„	8,117,000	591,000	100	Joint Stock	3,190,000	7,700,000	100
August	1846	7,394,000	- -	–	Private -	4,550,000		
October	„	8,134,000	740,000	125	Joint Stock	3,170,000	7,720,000	100
August	1847	7,170,000	- -	–	Private -	4,320,000		
October	„	7,568,000	398,000	67	Joint Stock	3,040,000	7,360,000	96
August	1848	5,952,000	- -	–	Private -	3,660,000		
October	„	6,775,000	823,000	139	Joint Stock	2,600,000	6,260,000	81
August	1849	5,855,000	- -	–	Private -	3,560,000		
October	„	6,555,000	700,000	118	Joint Stock	2,630,000	6,190,000	80
August	1850	6,056,000	- -	–	Private -	3,580,000		
October	„	6,647,000	591,000	100	Joint Stock	2,740,000	6,320,000	82
August	1851	5,838,000	- -	–	Private -	3,460,000		
October	„	6,430,000	592,000	100	Joint Stock	2,740,000	6,200,000	80

Appendix, No. 14. TABLE VII.—Showing the Increase in the Provincial Note Circulation of *England*, &c.—*continued.*

YEAR.		Private and Joint Stock Bank Note Circulation in August and October.	Larger in October than in August.	Proportion to 1845. 1845=100.	Private and Joint Stock Banks.	Annual Average Circulation.	Total Average Circulation.	Proportion to 1845. 1845=100.
August	1852	6,177,000	- -	–	Private -	3,550,000		
October	„	6,896,000	719,000	122	Joint Stock	2,860,000	6,410,000	83
August	1853	6,627,000	- -	–	Private -	3,800,000		
October	„	7,162,000	535,000	90	Joint Stock	3,050,000	6,850,000	89
August	1854	6,337,000	- -	–	Private -	3,770,000		
October	„	7,107,000	770,000	130	Joint Stock	3,030,000	6,800,000	88
August	1855	6,505,000	- -	–	Private -	3,830,000		
October	„	7,232,000	727,000	123	Joint Stock	3,050,000	6,880,000	89
August	1856	6,493,000	- -	–	Private -	3,750,000		
October	„	7,092,000	599,000	101	Joint Stock	3,050,000	6,800,000	88
August	1857	6,370,000	- -	–	Private -	3,620,000		
October	„	6,960,000	590,000	100	Joint Stock	3,010,000	6,630,000	86
August	1858	5,807,000	- -	–	Private -	3,240,000		
October	„	6,308,000	501,000	85	Joint Stock	2,760,000	6,000,000	78
August	1859	6,196,000	- -	–	Private -	3,440,000		
October	„	6,744,000	548,000	93	Joint Stock	2,990,000	6,430,000	83
August	1860	6,277,000	- -	–	Private -	3,440,000		
October	„	6,650,000	373,000	63	Joint Stock	3,000,000	6,440,000	84
August	1861	5,678,000	- -	–	Private -	3,220,000		
October	„	6,510,000	832,000	141	Joint Stock	2,890,000	6,110,000	79
August	1862	5,778,000	- -	–	Private -	3,220,000		
October	„	6,445,000	667,000	113	Joint Stock	2,890,000	6,110,000	79
August	1863	5,754,000	- -	–	Private -	3,140,000		
October	„	6,416,000	662,000	112	Joint Stock	2,880,000	6,020,000	78
August	1864	5,795,000	- -	–	Private -	3,110,000		
October	„	6,120,000	325,000	55	Joint Stock	2,850,000	5,960,000	77
August	1865	5,587,000	- -	–	Private -	2,950,000		
October	„	6,110,000	523,000	88	Joint Stock	2,850,000	5,800,000	75
August	1866	4,652,000	- - -	–	Private -	2,760,000		
October	„	5,295,000	643,000	109	Joint Stock	2,280,000	5,040,000	65
August	1867	4,740,000	- -	–	Private -	2,730,000		
October	„	5,390,000	650,000	110	Joint Stock	2,300,000	5,030,000	65
August	1868	4,724,000	- -	–	Private -	2,740,000		
October	„	5,280,000	556,000	94	Joint Stock	2,300,000	5,040,000	65
August	1869	4,767,000	- -	–	Private -	2,730,000		
October	„	5,288,000	521,000	88	Joint Stock	2,330,000	5,060,000	66
August	1870	4,500,000	- -	–	Private -	2,590,000		
October	„	5,102,000	602,000	102	Joint Stock	2,300,000	4,890,000	63
August	1871	4,905,000	- -	–	Private -	2,680,000		
October	„	5,395,000	490,000	83	Joint Stock	2,380,000	5,060,000	66
August	1872	4,940,000	- -	–	Private -	2,700,000		
October	„	5,382,000	442,000	75	Joint Stock	2,390,000	5,090,000	66
August	1873	4,828,000	- -	–	Private -	2,640,000		
October	„	5,355,000	527,000	89	Joint Stock	2,400,000	5,040,000	65
August	1874	4,648,000	- -	–	Private -	2,600,000		
October	„	5,168,000	520,000	88	Joint Stock	2,360,000	4,960,000	64

TABLE VIII.—Showing the Diminution in the Provincial Note Circulation of *England* in August, as compared with April in each Year, and the Annual Average rovincial Note Circulation from 1845 to 1874.

YEAR.	Private and Joint Stock Bank Note Circulation in April and August.	Smaller in August than in April.	Proportion to 1845. 1845=100.	Private and Joint Stock Banks.	Annual Average Circulation.	Total Average Circulation.	Proportion to 1845. 1845=100.
1845:							
April - -	7,990,000	- -	–	Private -	4,510,000		
August - -	7,526,000	464,000	100	Joint Stock	3,190,000	7,700,000	100
1846:							
April - -	8,040,000	- -	–	Private -	4,550,000		
August - -	7,394,000	646,000	139	Joint Stock	3,170,000	7,720,000	100
1847:							
April - -	8,020,000	- -	–	Private -	4,320,000		
August - -	7,170,000	850,000	183	Joint Stock	3,040,000	7,360,000	96
1848:							
April - -	6,640,000	- -	–	Private -	3,660,000		
August - -	5,952,000	648,000	140	Joint Stock	2,600,000	6,260,000	81
1849:							
April - -	6,560,000	- -	–	Private -	3,560,000		
August - -	5,855,000	705,000	152	Joint Stock	2,630,000	6,190,000	80
1850							
April - -	6,610,000	- -	–	Private -	3,580,000		
August - -	6,056,000	554,000	119	Joint Stock	2,740,000	6,320,000	82
1851:							
April - -	6,580,000	- -	–	Private -	3,460,000		
August - -	5,838,000	742,000	160	Joint Stock	2,740,000	6,200,000	80
1852:							
April - -	6,580,000	- -	–	Private -	3,550,000		
August - -	6,177,000	403,000	87	Joint Stock	2,860,000	6,410,000	83
1853:							
April - -	7,050,000	- -	–	Private -	3,800,000		
August - -	6,627,000	423,000	91	Joint Stock	3,050,000	6,850,000	89
1854:							
April - -	7,100,000	- -	–	Private -	3,770,000		
August - -	6,337,000	763,000	165	Joint Stock	3,030,000	6,800,000	88
1855:							
April - -	7,140,000	- -	–	Private -	3,830,000		
August - -	6,505,000	635,000	137	Joint Stock	3,050,000	6,880,000	89
1856:							
April - -	7,090,000	- -	–	Private -	3,750,000		
August - -	6,493,000	597,000	129	Joint Stock	3,050,000	6,880,000	88
1857:							
April - -	7,000,000	- -	–	Private -	3,620,000		
August - -	6,370,000	630,000	136	Joint Stock	3,010,000	6,630,000	86
1858:							
April - -	6,200,000	- -	–	Private -	3,240,000		
August - -	5,807,000	393,000	85	Joint Stock	2,760,000	6,000,000	78
1859:							
April - -	6,680,000	- -	–	Private -	3,440,000		
August - -	6,196,000	484,000	104	Joint Stock	2,990,000	6,430,000	83

Appendix, No. 14. TABLE VIII.—Showing Diminution in Provincial Note Circulation of *England*, &c.—*continued.*

YEAR.	Private and Joint Stock Bank Note Circulation in April and August.	Smaller in August than in April.	Proportion to 1845. 1845=100.	Private and Joint Stock Banks.	Annual Average Circulation.	Total Average Circulation.	Proportion to 1845. 1845=100.
1860:							
April - -	6,710,000	- -	-	Private -	3,440,000		
August - -	6,277,000	433,000	93	Joint Stock	3,000,000	6,440,000	84
1861:							
April - -	6,470,000	- -	-	Private -	3,220,000		
August - -	5,678,000	792,000	171	Joint Stock	2,890,000	6,110,000	79
1862:							
April - -	6,430,000	- -	-	Private -	3,220,000		
August - -	5,778,000	652,000	141	Joint Stock	2,890,000	6,110,000	79
1863:							
April - -	6,370,000	- -	-	Private -	3,140,000		
August - -	5,754,000	616,000	132	Joint Stock	2,880,000	6,020,000	78
1864:							
April - -	6,310,000	- -	-	Private -	3,110,000		
August - -	5,795,000	515,000	111	Joint Stock	2,850,000	5,960,000	77
1865:							
April - -	5,890,000	- -	-	Private -	2,950,000		
August - -	5,587,000	303,000	65	Joint Stock	2,850,000	5,800,000	75
1866:							
April - -	5,620,000	- -	-	Private -	2,760,000		
August - -	4,652,000	968,000	209	Joint Stock	2,280,000	5,040,000	65
1867:							
April - -	5,260,000	- -	-	Private -	2,730,000		
August - -	4,740,000	520,000	112	Joint Stock	2,300,000	5,030,000	65
1868:							
April - -	5,350,000	- -	-	Private -	2,740,000		
August - -	4,724,000	626,000	135	Joint Stock	2,300,000	5,040,000	65
1869:							
April - -	5,330,000	- -	-	Private -	2,730,000		
August - -	4,767,000	563,000	121	Joint Stock	2,330,000	5,060,000	66
1870:							
April - -	5,180,000	- -	-	Private -	2,590,000		
August - -	4,500,000	680,000	147	Joint Stock	2,300,000	4,890,000	63
1871:							
April - -	5,250,000	- -	-	Private -	2,680,000		
August - -	4,905,000	345,000	74	Joint Stock	2,380,000	5,000,000	66
1872:							
April - -	5,370,000	- -	-	Private -	2,700,000		
August - -	4,940,000	430,000	93	Joint Stock	2,390,000	5,090,000	66
1873:							
April - -	5,260,000	- -	-	Private -	2,640,000		
August - -	4,828,000	432,000	93	Joint Stock	2,400,000	5,040,000	65
1874:							
April - -	5,240,000	- -	-	Private -	2,600,000		
August - -	4,648,000	592,000	127	Joint Stock	2,360,000	4,960,000	64

TABLE IX.—NAMES of BANKS, both PRIVATE and JOINT STOCK, in *England* and *Wales*, AUTHORISED TO ISSUE NOTES, in April 1875; the Amounts of the *Authorised* Issue, and of the *Actual* Average Issue of each Bank during the Year 1874; the Proportion of each Actual Issue to the Authorised Issue; the Names of the Places where the Head Office of each Bank is situated, and a Description of the Locality in which the Business is carried on.

1. NAME AND DESCRIPTION OF BANK.	2. Authorised Issue.	3. Actual Average Issue in 1874.	4. Proportion of Actual to Authorised Issue.	5. Name of Place where Head Office is situated, and Description of Locality of Bank.
	£.	£.	*Per Ct.*	
13 Carlisle, City and District Bank.	19,972	19,857	99	Carlisle. Mixed district. Agricultural and manufacturing.
24 Helston Banking Company	1,503	1,494	„	Helston. Agricultural and Mining.
78 Peases' Old Bank, Hull. Peases, Hoare & Pease.	48,807	48,515	„	Hull. Seaport, and population increasing.
38 Sheffield Banking Company.	35,843	35,530	„	Sheffield. Manufacturing. Population increasing.
31 Darlington Bank. Jonathan Backhouse & Co.	86,218	84,789	98	Darlington. Ditto.
3 Bradford Banking Company.	49,292	48,586	„	Bradford. Ditto.
5 Bradford Commercial Banking Company.	20,084	19,786	„	Bradford. Ditto.
29 Derby Old Bank. Crompton, Newton & Co.	27,237	26,684	„	Derby. Ditto.
21 Hull Banking Company	29,333	28,897	„	Hull. Seaport. Ditto.
43 Sheffield and Rotherham Joint Stock Bank.	52,496	51,305	„	Sheffield. Manufacturing. Population increasing.
43 Hull and Kingston-on-Hull Bank. Samuel Smith, Bros., & Co.	19,979	19,659	„	Hull. Seaport. Population increasing.
50 West Riding Union Banking Company.	34,029	33,465	„	Huddersfield. Manufacturing. Population increasing.
54 Leeds Union Bank. Williams, Williams, Brown & Co.	37,459	36,834	„	Leeds. Ditto.
87 Scarborough Old Bank. Woodall, Hebden & Co.	24,813	24,331	„	Scarborough. Watering place, and population increasing.
53 York Union Banking Company, York.	71,240	69,965	„	York. Agricultural District.
35 East Riding Bank. Beckett & Co.	53,392	52,071	97	Beverley. Agricultural and Trading. Population of district increasing.
12 Carlisle and Cumberland Banking Company.	25,610	24,826	„	Carlisle. Agricultural.
17 Darlington District Joint Stock Banking Company.	26,134	25,592	„	Darlington. Manufacturing. Population increasing.
17 Burlington and Drifield Bank. Harding, Mortlock & Co.	12,745	12,328	„	Burlington. Seaport, with large corn trade, and watering place.
42 Sheffield and Hallamshire Banking Company.	23,524	22,748	„	Sheffield. Manufacturing.
105 Whitby Old Bank, Simpson, Chapman & Co.	14,258	13,791	„	Whitby. Seaport and agricultural.
73 Nottingham Bank. Samuel Smith & Co.	31,047	30,029	„	Nottingham. Manufacturing, and population increasing.
52 Kendal Bank. Wakefield, Crewdson & Co.	44,663	43,245	„	Kendal. Mixed district, partly manufacturing, with population largely increasing.
48 West of England and South Wales District Bank.	83,535	81,256	„	Bristol. Mixed district, manufacturing and agricultural.
64 Miner's Bank. Willyams, Willyams & Co.	18,688	18,135	„	St. Columb. Agricultural and mining.
55 Yorkshire Banking Company.	122,532	119,113	„	Leeds. Mixed district, agricultural and manufacturing.

Appendix, No. 14.

TABLE IX.—Authorised and Actual Circulation of Issuing Banks in *England* and *Wales*, 1874—*contd.*

1. NAME AND DESCRIPTION OF BANK.	2. Authorised Issue.	3. Actual Average Issue in 1874.	4. Proportion of Actual to Authorised Issue.	5. Name of Place where Head Office is situated, and Description of Locality of Bank.
	£.	£.	*Per Ct.*	
53 Leeds Bank. Beckett & Co.	130,757	125,937	96	Leeds. Manufacturing and agricultural district.
26 Craven Bank. Birkbeck & Co.	77,154	74,005	„	Settle. District partly manufacturing, and population increasing.
14 County of Stafford Bank	9,418	9,047	„	Wolverhampton. Manufacturing.
8 Cumberland Union Banking Company.	35,395	33,967	„	Carlisle. Mixed, agricultural, and manufacturing.
16 Derby and Derbyshire Banking Company.	20,093	19,351	„	Derby. Manufacturing.
28 Lincoln and Lindsey Banking Company.	51,620	49,778	„	Lincoln. Agricultural.
82 Richmond Bank, Yorkshire. Roper and Priestman.	6,889	6,676	„	Richmond, Yorkshire. Agricultural.
49 Wilts and Dorset Banking Company.	76,162	73,356	„	Salisbury. Agricultural and mixed.
54 York City and County Banking Company.	94,695	90,911	„	York. Mixed district, agricultural and manufacturing.
96 Thrapstone and Kettering Bank. Eland & Eland.	11,559	11,030	95	Thrapstone. Manufacturing.
20 Huddersfield Banking Company.	37,354	35,551	„	Huddersfield. Manufacturing. Population increasing.
25 Knaresboro' and Claro Banking Company.	28,059	26,680	„	Knaresboro'. Agricultural, and population stationary.
46 Wakefield and Barnsley Union Bank.	14,604	13,906	„	Wakefield. Manufacturing.
2 Barnsley Banking Company.	9,563	8,968	94	Barnsley. Manufacturing and mining, and population increasing.
7 Chesterfield and North Derbyshire Banking Company.	10,421	9,868	„	Chesterfield. Agricultural.
19 Halifax Joint Stock Bank	18,534	17,391	„	Halifax. Manufacturing, population increasing.
104 West Riding Bank, Wakefield. Leatham, Tew & Co.	46,158	43,345	„	Wakefield. Ditto.
44 Swaledale and Wensleydale Banking Company.	54,372	51,080	„	Richmond, Yorkshire. Agricultural.
59 Loughborough Bank. Middleton, Cradock and Middleton.	7,359	6,876	93	Loughborough. Agricultural. Population stationary.
36 North and South Wales Bank, Liverpool.	63,951	59,698	„	Liverpool. Mixed district.
4 Bank of Whitehaven -	32,681	30,136	92	Whitehaven. Seaport and manufacturing district.
10 Coventry Union Banking Company.	16,251	15,034	„	Coventry. Population of city decreasing; district, agricultural and stationary.
18 Gloucestershire Banking Company.	155,920	144,145	„	Gloucester. Agricultural.
26 Lancaster Banking Company.	64,311	59,342	„	Lancaster. Mixed district, agricultural and manufacturing.
37 Pares Leicestershire Banking Company.	59,300	54,043	91	Leicester. Ditto - ditto.
57 Lincoln Bank. Smith, Ellison & Co.	100,342	91,074	„	Lincoln. Agricultural.
14 Bedfordshire, Leighton Buzzard Bank. Basset & Co.	36,829	33,011	90	Leighton Buzzard. Ditto.

TABLE IX.—Authorised and Actual Circulation of Issuing Banks in *England* and *Wales*, 1874—*contd.* Appendix No. 14.

1. NAME AND DESCRIPTION OF BANK.	2. Authorised Issue.	3. Actual Average Issue in 1874.	4. Proportion of Actual to Authorised Issue.	5. Name of Place where Head Office is situated, and Description of Locality of Bank.
	£.	£.	*Per Ct.*	
97 Tring Bank and Chesham Bank, Herts and Bucks. Thomas Butcher & Sons.	13,531	12,254	90	Tring. Agricultural.
22 Halifax Commercial Banking Company.	13,733	12,440	„	Halifax. Manufacturing. Population increasing.
1 Ashford Bank. Pomfret, Burra & Co.	11,849	10,652	„	Ashford. Increase of population in 1871 as compared with 1861. Near Ashford, an important railway junction.
51 Knaresboro' Old Bank. Harrison & Co.	21,825	19,559	„	Knaresboro'. Agricultural and mixed district.
39 Stamford, Spalding, and Boston Banking Company.	55,721	49,897	89	Stamford. Agricultural.
47 Whitehaven Joint Stock Banking Company.	31,916	28,546	„	Whitehaven. Mixed district, agricultural and manufacturing.
1 Bank of Westmoreland -	12,225	10,611	87	Kendal. Agricultural.
5 Bedford Bank. Thomas Barnard & Co.	34,218	29,795	„	Bedford. Agricultural. Population of district nearly stationary.
32 Nottingham and Notts Banking Company.	29,477	25,603	„	Nottingham. Mixed district, manufacturing and agricultural.
40 Stuckey's Banking Company.	356,976	311,641	„	Langport. Ditto - ditto.
30 Ludlow and Tenbury Bank.	10,215	8,769	86	Ludlow. Agricultural. Population stationary.
40 Godalming Bank. Mellersh & Co.	6,322	5,472	„	Godalming. Agricultural.
20 Cambridge and Cambridgeshire Bank. Foster & Foster.	49,916	42,703	85	Cambridge. University and agricultural district.
31 Moore and Robinson's Notts Banking Company, Nottingham.	35,813	30,587	„	Nottingham. Manufacturing.
75 Oxford Old Bank. Parsons & Co.	34,391	29,228	„	Oxford. University and agricultural.
41 Stourbridge and Kidderminster Banking Company.	56,830	48,303	„	Stourbridge. Manufacturing.
114 York Bank. Swann & Co.	46,387	39,606	„	York. Agricultural.
23 Halifax and Huddersfield Union Bank.	44,137	37,243	84	Halifax. Manufacturing. Population increasing.
39 Faversham Bank. Hilton and Rigden.	6,681	5,630	„	Faversham. Agricultural and seaport.
27 Derby Bank. Evans & Co.	13,332	11,073	83	Derby. Manufacturing.
11 Bury St. Edmunds Bank. Worlledge, Huddleston, & Co.	3,201	2,672	„	Bury St. Edmunds. Agricultural. Population of district stationary or decreasing.
76 Old Bank, Tonbridge, Kent. H. S., A. T., and A. Beeching.	13,183	10,886	82	Tonbridge. Agricultural. Population of town increasing.
67 Newark and Sleaford Bank, Notts. Handley, Peacock & Co.	51,615	42,605	„	Newark. Agricultural. Population stationary.
29 Leamington Priors and Warwickshire Banking Company.	13,875	11,417	„	Leamington. Agricultural district.
49 Kentish Bank. Wigan, Mercers & Co.	19,895	16,132	81	Maidstone. Agricultural.

Appendix, No. 14. TABLE IX.—Authorised and Actual Circulation of Issuing Banks in *England* and *Wales*, 1874-*contd.*

1. NAME AND DESCRIPTION OF BANK.	2. Authorised Issue.	3. Actual Average Issue in 1874.	4. Proportion of Actual to Authorised Issue.	5. Name of Place where Head Office is situated, and Description of Locality of Bank.
	£.	£.	*Per Ct.*	
7 Boston Bank. Claypons, Garfit & Co.	75,069	59,851	80	Boston. Seaport. Population nearly stationary.
28 Derby Bank. Smith & Co.	41,304	32,969	,,	Derby. Manufacturing.
92 Shrewsbury and Welchpool Bank. Beck & Co.	25,336	20,097	79	Shrewsbury. Agricultural.
46 Hertfordshire, Hitchin Bank. Sharples & Co.	38,764	30,620	,,	Hitchin. Ditto.
70 Norwich and Norfolk Bank. Gurneys, Birkbeck & Co.	105,519	81,720	77	Norwich. Manufacturing city, and agricultural district.
41 Guildford Bank. Haydon & Co.	14,524	11,221	,,	Guildford. Agricultural.
27 Leicestershire Banking Company.	86,060	65,786	,,	Leicester. Manufacturing.
6 Burton, Uttoxeter, and Ashburn Union Bank (Derbyshire and Staffordshire).	60,701	46,257	76	Burton-upon-Trent. Agricultural district. Population stationary.
102 Warwick and Warwickshire Bank. Greenway & Co.	30,504	22,919	,,	Warwick. Agricultural.
71 Naval Bank, Plymouth. Harris & Co.	27,321	20,841	,,	Plymouth. Seaport.
55 Leicester Bank. T. & T. T. Paget.	32,322	24,644	,,	Leicester. Manufacturing.
50 Kington and Radnorshire Bank. Davies & Co.	26,050	19,045	73	Kington. Agricultural.
33 Dorchester Old Bank. Williams & Co.	48,807	35,768	,,	Dorchester. Agricultural. Population nearly stationary.
79 Penzance Bank. Batten & Co.	11,405	8,208	72	Penzance. Fishing and agricultural district.
34 East Cornwall Bank. Robins & Co.	112,280	81,131	,,	Liskeard. Agricultural and mining. Population in some districts diminishing.
45 Harwich Bank. Cox & Co.	5,778	4,133	71	Harwich. Seaport and agricultural district.
62 Lynn Regis and Norfolk Bank. Jarvis & Co.	13,917	9,854	,,	Lynn. Agricultural.
35 Northamptonshire Banking Company.	26,401	18,629	,,	Northampton. Mixed district, agricultural and manufacturing.
34 Northamptonshire Union Bank.	84,356	58,172	70	Northampton. Do. - do.
47 Ipswich Bank. Bacon & Co.	21,901	15,195	69	Ipswich. Seaport and agricultural district.
58 Llandovery Bank and Llandilo Bank. D. Jones & Co.	32,945	22,651	,,	Llandovery. Agricultural. Population stationary or decreasing.
107 Weymouth Old Bank. Eliot & Co.	16,461	11,150	68	Weymouth. Seaport and agricultural district.
66 Newark Bank. Godfrey & Riddell.	28,788	19,654	,,	Newark. Agricultural. Population stationary.
69 Newmarket Bank. Hammond & Co.	23,098	15,254	66	Newmarket. Do. - do.
15 Brecon Old Bank. Wilkins & Co.	68,271	44,945	,,	Brecon. Agricultural. Population nearly stationary.
112 Yarmouth and Suffolk Bank. Gurneys & Co.	53,060	34,463	65	Great Yarmouth. Seaport and agricultural district.
11 County of Gloucester Banking Company.	144,352	91,615	63	Cheltenham. Agricultural.
103 Wellington, Somerset Bank. Fox & Co.	6,528	4,088	,,	Wellington. Do.
42 Grantham Bank. Hardy & Co.	30,372	19,272	,,	Grantham. Do.
113 Yarmouth, Norfolk, and Suffolk Bank. Lacons & Co.	13,229	8,378	,,	Great Yarmouth. Seaport and agricultural.

TABLE IX.—Authorised and Actual Circulation of Issuing Banks in *England* and *Wales*, 1874–*contd.* Appendix, No. 14.

1. NAME AND DESCRIPTION OF BANK.	2. Authorised Issue.	3. Actual Average Issue in 1874.	4. Proportion of Actual to Authorised Issue.	5. Name of Place where Head Office is situated, and Description of Locality of Bank.
	£.	£.	*Per Ct.*	
61 Lynn Regis and Lincolnshire Bank. Gurneys & Co.	42,817	26,477	62	Lynn, Norfolk. Seaport and agricultural.
10 Buckingham Bank. Bartlett & Co.	29,657	18,224	61	Buckingham. Agricultural. Population declining.
93 Tavistock Bank. Gill, Sons & Co.	13,421	8,158	„	Tavistock. Agricultural and mining. Population decreasing.
21 Canterbury Bank. Hammond & Co.	33,671	20,418	„	Canterbury. Agricultural, and population of city declining.
94 Thornbury Bank, Gloucestershire. Harwood, Hatcher & Co.	10,026	6,102	„	Thornbury. Agricultural.
63 Macclesfield Bank. Brocklehurst & Co.	15,760	9,525	60	Macclesfield. Manufacturing, but population decreasing.
109 Wisbech and Lincolnshire Bank. Gurneys, Birkbeck & Peckovers.	59,713	35,467	59	Wisbech. Seaport and agricultural district.
33 North Wilts Banking Company.	63,939	37,982	„	Melksham. Agricultural.
81 Reading Bank. Stephens, Blandy & Co.	43,271	25,018	58	Reading. Do.
99 Union Bank. Vivian, Grylls, Kendall & Co.	17,003	9,781	„	Helston. Do.
51 Whitchurch and Ellesmere Banking Company (Salop).	7,475	4,371	„	Whitchurch, Salop. Agricultural. Population stationary.
9 Coventry and Warwickshire Banking Company.	28,734	16,581	57	Coventry. Population of city decreasing. District, agricultural, stationary.
24 Cornish Bank. Tweedy & Co.	49,869	28,424	„	Truro. Agricultural and mining. Decrease of population in district.
16 Brighton Union Bank. Hall, Lloyd, Bevan & West.	33,794	19,041	56	Brighton. Watering place.
77 Oxfordshire Witney Bank. John Williams Clinch & Sons.	11,852	6,553	55	Witney. Agricultural.
48 Ipswich and Needham Market Bank. Alexanders & Co.	80,699	43,829	54	Ipswich. Seaport and agricultural district.
25 City Bank, Exeter. Milford, Snow & Co.	21,527	11,631	„	Exeter. Agricultural.
56 Lewes Old Bank. Whitfeld & Co.	44,836	24,284	„	Lewes. Do.
11 Bury and Suffolk Bank. Oakes, Bevan & Co.	82,362	44,116	53	Bury St. Edmund's. Agricultural. Population of district stationary or decreasing.
9 Broseley and Bridgnorth Bank. Pritchard & Co.	26,717	14,182	„	Broseley. Mining and iron, but population of district declining.
80 Reading Bank. Simonds & Co.	37,519	19,881	„	Reading. Agricultural district.
23 Colchester and Essex Bank. Mills, Errington, Bawtree & Co.	48,704	25,664	52	Colchester. Do.
36 Essex Bank and Bishop Stortford Bank. Sparron, Tufnell & Co.	69,637	36,255	„	Chelmsford. Do.
45 Wolverhampton and Staffordshire Bank.	35,378	18,333	„	Wolverhampton. Manufacturing.

Appendix, No. 14. TABLE IX.—Authorised and Actual Circulation of Issuing Banks in *England* and *Wales*, 1874–*cont*ᵈ.

1. NAME AND DESCRIPTION OF BANK.	2. Authorised Issue.	3. Actual Average Issue in 1874.	4. Proportion of Actual to Authorised Issue.	5. Name of Place where Head Office is situated, and Description of Locality of Bank.
	£.	£.	*Per Ct.*	
111 Worcester Old Bank. Berwick & Co.	87,448	44,441	51	Worcester. Manufacturing.
12 Banbury Bank. J. C. & A. Gillett.	43,457	22,098	„	Banbury. Agricultural. Population stationary.
32 Devonport Bank. Hodge & Co.	10,664	5,419	„	Devonport. Seaport.
88 Shrewsbury Old Bank. Rocke, Eyton & Co.	43,191	22,123	„	Shrewsbury. Agricultural.
60 Lymington Bank. S. Barbe & Co.	5,038	2,565	„	Lymington. Small seaport and agricultural.
19 Cambridge Bank. Mortlock & Co.	25,744	12,784	50	Cambridge. University.
83 Royston Bank. John George Fordham & Sons.	16,393	8,015	49	Royston. Agricultural.
6 Bicester and Oxfordshire Bank. G. & H. Tubb.	27,090	13,146	48	Bicester. Agricultural. Population of district stationary or declining.
22 Colchester Bank. Round, Green & Co.	25,082	11,885	47	Colchester. Agricultural.
44 Huntingdon Town and County Bank. Veasey, Desborough & Co.	56,591	26,881	„	Huntingdon. Agricultural. Population stationary.
95 Tiverton and Devonshire Bank. Dunsford & Co.	13,470	6,157	46	Tiverton. Agricultural.
37 Exeter Bank. Sanders & Co.	37,894	17,124	45	Exeter. Ditto.
2 Aylesbury Old Bank. T. R. Cobb & Co.	48,461	21,397	44	Aylesbury. Agricultural. Population of district nearly stationary.
98 Towcester Old Bank. Mercer, Whitworth & Wallis.	10,801	4,760	„	Towcester, Notts. Agricultural. Population stationary.
3 Baldock and Biggleswade Bank. Wells, Hogge & Lindsell.	37,223	16,581	„	Baldock. Agricultural. Population of district stationary.
74 Oswestry Bank. Croxon, Jones & Co.	18,471	7,603	41	Oswestry. Agricultural.
38 Farnham Bank. James Knight & Sons.	14,202	5,662	40	Farnham. Do.
91 Stamford and Rutland Bank. Eaton & Co.	31,858	12,402	39	Stamford. Do.
8 Bristol Bank. Miles & Co.	48,277	19,062	„	Bristol. Seaport and manufacturing.
85 Saffron Walden and North Essex Bank. Gibson & Co.	47,646	18,366	38	Saffron Walden. Agricultural.
89 Sittingbourne and Milton Bank, Kent. Vallance & Co.	4,789	1,825	„	Sittingbourne. Do.
106 Winchester, Alresford, and Alton Bank. Bulpett & Co.	25,892	8,872	34	Winchester. Do.
68 Newbury Bank, Berkshire. Matthews, Slocock, Bunny & Co.	36,787	12,247	33	Newbury. Agricultural. Population stationary.
110 Wiveliscombe Bank (Somerset). W. Hancock.	7,602	2,365	31	Wiveliscombe. Agricultural. Population stationary.
13 Banbury Old Bank. Cobb & Son.	55,153	15,751	30	Banbury. Agricultural. Population stationary.
90 Southampton Town and County Bank. Maddison & Co.	25,359	7,620	„	Southampton. Seaport and agricultural district.
75 New Sarum Bank. Pinckney Brothers.	15,659	4,582	29	Salisbury. Agricultural. Population stationary.
101 Wallingford Bank. Hedges & Co.	17,064	4,631	27	Wallingford. Agricultural. Population stationary.
84 Rye Bank, Sussex. Curteis & Co.	29,864	7,231	24	Rye. Agricultural district.

TABLE IX.—Authorised and Actual Circulation of Issuing Banks in *England* and *Wales*, 1874—*contd.* Appendix, No. 14.

1. NAME AND DESCRIPTION OF BANK.	2. Authorised Issue.	3. Actual Average Issue in 1874.	4. Proportion of Actual to Authorised Issue.	5. Name of Place where Head Office is situated, and Description of Locality of Bank.
	£.	£.	*Per Ct.*	
100 Uxbridge Old Bank. Hull & Co.	25,136	5,982	24	Uxbridge. Agricultural district.
30 Devizes and Wiltshire Bank. Locke & Co.	20,674	4,659	23	Devizes. Agricultural. Population stationary or declining.
4 Barnstaple Bank. Marshall & Co.	17,182	3,884	22	Barnstaple. Population of district stationary.
86 Salop Bank. Burton & Co.	22,338	4,681	21	Shrewsbury. Agricultural.
52 Worcester City and County Banking Company.	6,848	1,191	17	Worcester. Manufacturing.
65 Monmouth Old Bank. Bromage & Co.	16,385	2,720	16	Monmouth. Agricultural and mining.
£.	6,460,985	4,876,900	75	General average.

Note.—The numbers placed before the name of each Bank refer to the Weekly Returns of Banks of Issue published in the "Bankers' Magazine," from which this statement is prepared.

SUMMARY OF TABLE.

NUMBER OF BANKS.	Agricultural.	Manufacturing.	Mixed.	Seaport.	University.	Watering Places.
56 averaged 90 per ct. of authorised issue and above	16	21	12	6	–	1
24 „ 80 „ and below 90	11	5	4	2	2	–
17 „ 70 „ „ 80	9	2	4	2	–	–
17 „ 60 „ „ 70	12	1	–	4	–	–
24 „ 50 „ „ 60	13	2	2	5	1	1
11 „ 40 „ „ 50	11	–	–	–	–	–
9 „ 30 „ „ 40	7	–	–	2	–	–
7 „ 20 „ „ 30	7	–	–	–	–	–
2 below 20	1	1	–	–	–	–
167	87	32	22	21	3	2

DESCRIPTION OF LOCALITY.

Agricultural	87
Manufacturing	32
Mixed	22
Seaport	21
University	3
Watering Places	2
	167

TABLE X.—Annual Averages of Total Scotch Country Note Circulation for the Years 1845 to 1874; showing that the fluctuations in it from Month to Month recur periodically in each Year.

1845.			1846.			1847.			1848.			1849.		
Average of Year. £. 3,293,519 = 100.			Average of Year. £. 3,404,884 = 100.			Average of Year. £. 3,550,976 = 100.			Average of Year. £. 3,176,019 = 100.			Average of Year. £. 3,134,073 = 100.		
	£.			£.			£.			£.			£.	
4 Jan. -	3,159,000	96	3 Jan.	3,336,000	98	2 Jan.	3,787,000	107	1 Jan.	3,341,000	105	27 Jan.	3,033,000	
1 Feb. -	3,070,000	93	31 Jan.	3,182,000	93	30 Jan.	3,604,000	101	29 Jan.	3,161,000	100	24 Feb.	2,952,000	
1 Mar. -	2,987,000	91	28 Feb.	3,084,000	91	27 Feb.	3,503,000	99	26 Feb.	3,032,000	95	24 Mar.	2,935,000	
29 Mar. -	2,951,000	90	28 Mar.	3,019,000	88	27 Mar.	3,360,000	95	25 Mar.	2,952,000	93	21 April	2,908,000	
26 April -	3,001,000	91	25 April	3,096,000	91	24 April	3,395,000	96	22 April	2,934,000	92	19 May	3,129,000	1
24 May -	3,357,000	102	23 May	3,401,000	100	22 May	3,517,000	99	20 May	3,152,000	99	16 June	3,381,000	1
21 June -	3,486,000	106	20 June	3,509,000	103	19 June	3,647,000	103	17 June	3,438,000	108	14 July	3,112,000	
19 July -	3,334,000	101	18 July	3,390,000	99	17 July	3,496,000	98	15 July	3,107,000	98	11 Aug.	3,076,000	
16 Aug. -	3,303,000	100	15 Aug.	3,372,000	99	14 Aug.	3,456,000	97	12 Aug.	3,036,000	96	8 Sept.	3,053,000	
13 Sept. -	3,341,000	101	12 Sept.	3,447,000	101	11 Sept.	3,498,000	99	9 Sept.	3,021,000	95	6 Oct.	3,139,000	1
11 Oct. -	3,428,000	104	10 Oct.	3,665,000	108	9 Oct.	3,560,000	100	7 Oct.	3,137,000	99	3 Nov.	3,282,000	1
8 Nov. -	3,594,000	109	7 Nov.	3,765,000	110	6 Nov.	3,607,000	101	4 Nov.	3,306,000	104	1 Dec.	3,500,000	1
6 Dec. -	3,804,000	116	5 Dec.	3,997,000	117	4 Dec.	3,732,000	105	2 Dec.	3,570,000	112	29 Dec.	3,242,000	1
									30 Dec.	3,277,000	103			

1850.			1851.			1852.			1853.			1854.		
Average of Year. £. 3,225,203 = 100.			Average of Year. £. 3,242,923 = 100.			Average of Year. £. 3,403,949 = 100.			Average of Year. £. 3,789,251 = 100.			Average of Year. £. 4,054,524 = 100.		
	£.			£.			£.			£.			£.	
26 Jan. -	3,113,000	96	25 Jan.	3,252,000	100	24 Jan.	3,284,000	96	22 Jan.	3,613,000	95	21 Jan.	3,998,000	
23 Feb. -	3,054,000	95	22 Feb.	3,138,000	97	21 Feb.	3,179,000	93	19 Feb.	3,530,000	93	18 Feb.	3,974,000	
23 Mar. -	2,994,000	93	22 Mar.	3,033,000	93	20 Mar.	3,082,000	90	19 Mar.	3,444,000	91	18 Mar.	3,844,000	
20 April -	3,015,000	94	19 April	3,082,000	95	17 April	3,112,000	91	16 April	3,493,000	92	15 April	3,834,000	
18 May -	3,195,000	99	17 May	3,254,000	100	15 May	3,303,000	97	14 May	3,687,000	97	13 May	3,967,000	
15 June -	3,472,000	108	14 June	3,474,000	107	12 June	3,580,000	105	11 June	4,026,000	106	10 June	4,319,000	1
13 July -	3,239,000	100	12 July	3,215,000	99	10 July	3,338,000	98	9 July	3,762,000	99	8 July	4,020,000	
10 Aug. -	3,173,000	98	9 Aug.	3,155,000	97	7 Aug.	3,308,000	97	6 Aug.	3,747,000	99	5 Aug.	3,963,000	
7 Sept. -	3,174,000	98	6 Sept.	3,126,000	96	4 Sept.	3,334,000	98	3 Sept.	3,729,000	98	2 Sept.	3,867,000	
5 Oct. -	3,243,000	101	4 Oct.	3,166,000	98	2 Oct.	3,443,000	101	1 Oct.	3,843,000	101	30 Sept.	3,971,000	
2 Nov. -	3,319,000	103	1 Nov.	3,313,000	102	30 Oct.	3,621,000	106	29 Oct.	3,988,000	105	28 Oct.	4,182,000	1
30 Nov. -	3,594,000	112	29 Nov.	3,590,000	111	27 Nov.	3,904,000	114	26 Nov.	4,286,000	113	25 Nov.	4,452,000	1
28 Dec. -	3,346,000	104	27 Dec.	3,357,000	103	24 Dec.	3,764,000	110	24 Dec.	4,113,000	108	23 Dec.	4,316,000	1

1855.			1856.			1857.			1858.			1859.		
Average of Year. £. 4,104,581 = 100.			Average of Year. £. 4,093,161 = 100.			Average of Year. £. 4,080,037 = 100.			Average of Year. £. 3,925,814 = 100.			Average of Year. £. 4,110,683 = 100.		
	£.			£.			£.			£.			£.	
20 Jan. -	4,120,000	100	19 Jan.	4,143,000	101	17 Jan.	4,125,000	101	16 Jan.	4,021,000	102	15 Jan.	4,100,000	1
17 Feb. -	3,933,000	96	16 Feb.	3,957,000	96	14 Feb.	3,958,000	97	13 Feb.	3,748,000	95	12 Feb.	3,904,000	
17 Mar. -	3,812,000	93	15 Mar.	3,820,000	93	14 Mar.	3,828,000	94	13 Mar.	3,578,000	91	12 Mar.	3,781,000	
14 April -	3,743,000	91	12 April	3,783,000	92	11 April	3,833,000	94	10 April	3,611,000	92	9 April	3,768,000	
12 May -	3,901,000	95	10 May	3,939,000	96	9 May	3,933,000	96	8 May	3,713,000	94	7 May	3,962,000	
9 June -	4,375,000	106	7 June	4,473,000	109	6 June	4,388,000	107	7 June	4,242,000	108	4 June	4,481,000	1
7 July -	4,116,000	100	5 July	4,133,000	101	4 July	4,101,000	100	3 July	3,936,000	100	2 July	4,131,000	1
4 Aug. -	4,049,000	98	2 Aug.	4,005,000	98	1 Aug.	3,992,000	98	31 July	3,780,000	96	30 July	3,976,000	
1 Sept. -	3,961,000	97	30 Aug.	3,941,000	96	29 Aug.	3,933,000	96	28 Aug.	3,724,000	95	27 Aug.	3,978,000	
29 Sept. -	4,094,000	100	27 Sept.	4,003,000	98	26 Sept.	4,051,000	99	25 Sept.	3,882,000	99	24 Sept.	4,040,000	
27 Oct. -	4,302,000	105	25 Oct.	4,219,000	103	24 Oct.	4,248,000	104	23 Oct.	4,062,000	103	22 Oct.	4,200,000	1
24 Nov. -	4,548,000	111	22 Nov.	4,445,000	108	21 Nov.	4,344,000	106	20 Nov.	4,383,000	112	19 Nov.	4,510,000	1
22 Dec. -	4,401,000	107	20 Dec.	4,349,000	106	19 Dec.	4,305,000	105	18 Dec.	4,355,000	111	17 Dec.	4,591,000	1

1860.			1861.			1862.			1863.			1864.		
Average of Year. £. 4,227,634 = 100.			Average of Year. £. 4,196,983 = 100.			Average of Year. £. 4,153,078 = 100.			Average of Year. £. 4,204,393 = 100.			Average of Year. £. 4,262,394 = 100.		
	£.			£.			£.			£.			£.	
14 Jan. -	4,290,000	101	12 Jan.	4,300,000	102	11 Jan.	4,294,000	103	10 Jan.	4,217,000	100	9 Jan.	4,301,000	1
11 Feb. -	4,125,000	98	9 Feb.	4,090,000	98	8 Feb.	4,053,000	98	7 Feb.	3,992,000	95	6 Feb.	4,087,000	
10 Mar. -	4,002,000	95	9 Mar.	3,940,000	94	8 Mar.	3,869,000	93	7 Mar.	3,879,000	92	6 Mar.	3,997,000	
7 April -	3,882,000	92	6 April	3,850,000	92	5 April	3,806,000	92	4 April	3,880,000	92	2 April	3,922,000	
5 May -	4,001,000	95	4 May	3,980,000	95	3 May	3,966,000	95	2 May	3,951,000	94	30 April	4,037,000	
2 June -	4,572,000	108	1 June	4,530,000	108	31 May	4,610,000	111	30 May	4,474,000	106	28 May	4,533,000	1
30 June -	4,263,000	101	29 June	4,280,000	102	28 June	4,261,000	103	27 June	4,376,000	104	25 June	4,513,000	1
28 July -	4,060,000	96	27 July	4,080,000	97	26 July	4,021,000	97	25 July	4,166,000	99	23 July	4,250,000	1
25 Aug. -	4,114,000	97	24 Aug.	4,050,000	96	23 Aug.	3,946,000	95	22 Aug.	4,114,000	98	20 Aug.	4,196,000	
22 Sept. -	4,097,000	97	21 Sept.	4,050,000	96	20 Sept.	3,987,000	96	19 Sept.	4,104,000	98	17 Sept.	4,174,000	
20 Oct. -	4,284,000	101	19 Oct.	4,250,000	101	18 Oct.	4,193,000	101	17 Oct.	4,338,000	103	15 Oct.	4,328,000	1
17 Nov. -	4,580,000	108	16 Nov.	4,513,000	107	15 Nov.	4,410,000	106	14 Nov.	4,527,000	107	12 Nov.	4,444,000	1
15 Dec. -	4,690,000	111	14 Dec.	4,648,000	111	13 Dec.	4,573,000	110	12 Dec.	4,640,000	110	10 Dec.	4,627,000	1

TABLE X.—Annual Averages of Total Scotch Country Note Circulation for the Years 1845 to 1874, &c.—*continued.*

1865.			1866.			1867.			1868.			1869.		
Average of Year. £. 4,382,600 = 100.			Average of Year. £. 4,439,823 = 100.			Average of Year. £. 4,565,801 = 100.			Average of Year. £. 4,608,554 = 100.			Average of Year. £. 4,730,094 = 100.		
	£.			£.			£.			£.			£.	
7 Jan. -	4,326,000	99	6 Jan.	4,620,000	104	5 Jan.	4,631,000	101	4 Jan.	4,735,000	103	2 Jan.	4,875,000	103
4 Feb. -	4,158,000	95	3 Feb.	4,338,000	98	2 Feb.	4,405,000	96	1 Feb.	4,491,000	97	30 Jan.	4,645,000	98
4 Mar. -	4,069,000	93	3 Mar.	4,295,000	97	2 Mar.	4,356,000	95	29 Feb.	4,370,000	95	27 Feb.	4,535,000	96
4 April -	3,973,000	91	31 Mar.	4,135,000	93	30 Mar.	4,221,000	92	28 Mar.	4,272,000	93	27 Mar.	4,432,000	94
9 April -	4,151,000	95	28 April	4,234,000	95	27 April	4,368,000	95	25 April	4,416,000	96	24 April	4,498,000	95
7 May -	4,597,000	105	26 May	4,609,000	104	25 May	4,822,000	106	23 May	4,813,000	104	22 May	4,931,000	104
4 June -	4,558,000	104	23 June	4,551,000	102	23 June	4,784,000	105	20 June	4,826,000	105	19 June	4,884,000	103
2 July -	4,372,000	100	21 July	4,363,000	98	20 July	4,531,000	99	18 July	4,560,000	99	17 July	4,673,000	99
9 Aug -	4,350,000	99	18 Aug.	4,286,000	96	17 Aug.	4,454,000	97	15 Aug.	4,410,000	96	14 Aug.	4,529,000	96
6 Sept. -	4,306,000	98	15 Sept.	4,265,000	96	14 Sept.	4,404,000	96	12 Sept.	4,446,000	96	11 Sept.	4,604,000	97
4 Oct. -	4,515,000	103	13 Oct.	4,430,000	100	12 Oct.	4,581,000	100	10 Oct.	4,671,000	101	9 Oct.	4,727,000	100
1 Nov. -	4,697,000	107	10 Nov.	4,625,000	104	9 Nov.	4,742,000	104	7 Nov.	4,763,000	103	6 Nov.	4,871,000	103
9 Dec. -	4,904,000	112	8 Dec.	4,967,000	112	7 Dec.	5,056,000	111	5 Dec.	5,139,000	111	4 Dec.	5,287,000	112

1870.			1871.			1872.			1873.			1874.		
Average of Year. £. 4,933,410 = 100.			Average of Year. £. 5,177,919 = 100.			Average of Year. £. 5,331,666 = 100.			Average of Year. £. 5,633,597 = 100.			Average of Year. £. 5,900,000 = 100.		
	£.			£.			£.			£.			£.	
1 Jan. -	4,975,000	101	28 Jan.	5,002,000	97	27 Jan.	4,907,000	92	25 Jan.	5,311,000	94	24 Jan.	5,700,000	97
9 Jan. -	4,692,000	95	25 Feb.	4,912,000	95	24 Feb.	4,824,000	91	22 Feb.	5,186,000	92	21 Feb.	5,520,000	94
6 Feb. -	4,561,000	93	25 Mar.	4,789,000	92	23 Mar.	4,778,000	89	22 Mar.	5,161,000	91	21 Mar.	5,460,000	92
6 Mar. -	4,466,000	90	22 April	4,955,000	96	20 April	4,919,000	92	19 April	5,284,000	94	18 April	5,540,000	94
3 April -	4,595,000	93	20 May	5,184,000	100	18 May	5,370,000	101	17 May	5,713,000	102	16 May	5,979,000	101
1 May -	4,971,000	101	17 June	5,452,000	106	15 June	5,717,000	107	14 June	6,064,000	108	13 June	6,410,000	108
8 June -	5,186,000	105	15 July	5,228,000	101	13 July	5,323,000	100	12 July	5,549,000	99	11 July	5,820,000	98
6 July -	4,984,000	101	12 Aug.	5,138,000	99	10 Aug.	5,226,000	98	9 Aug.	5,503,000	98	8 Aug.	5,730,000	97
3 Aug. -	4,819,000	98	9 Sept.	5,148,000	100	7 Sept.	5,314,000	100	6 Sept.	5,504,000	98	5 Sept.	5,690,000	96
0 Sept. -	4,740,000	96	7 Oct.	5,354,000	103	5 Oct.	5,473,000	103	4 Oct.	5,748,000	102	3 Oct.	5,900,000	100
8 Oct. -	4,965,000	101	4 Nov.	5,196,000	100	2 Nov.	5,619,000	105	1 Nov.	5,894,000	105	31 Oct.	6,040,000	103
5 Nov. -	5,181,000	105	2 Dec.	5,715,000	111	30 Nov.	6,210,000	116	29 Nov.	6,390,000	114	28 Nov.	6,710,000	114
3 Dec. -	5,650,000	115	30 Dec.	5,240,000	101	28 Dec.	5,632,000	105	27 Dec.	5,930,000	105	26 Dec.	6,210,000	105
1 Dec. -	5,280,000	107												

TABLE XI.—Averages of Total Scotch Country Note Circulation for the Ten Years 1845 to 1854, 1855 to 1864, 1865 to 1874, and for the Thirty Years 1845 to 1874, showing that the fluctuations which take place from Month to Month in the Scotch Country Note Circulation recur periodically in each Year.

Average of Ten Years. 1845-54. £. 3,425,923 = 100.			Average of Ten Years. 1855-64. £. 4,137,369 = 100.			Average of Ten Years. 1865-74. £. 4,962,665 = 100.			Average of Thirty Years. 1845-74. £. 4,175,319 = 100.		
	£.			£.			£.			£.	
January -	3,426,000	100	January -	4,191,000	101	January -	4,883,000	98	January -	4,166,000	100
February -	3,252,000	95	February -	3,985,000	96	February -	4,687,000	94	February -	3,975,000	95
March - -	3,163,000	92	March - -	3,851,000	93	March - -	4,593,000	92	March - -	3,869,000	92
April - -	3,187,000	93	April - -	3,814,000	92	April - -	4,687,000	94	April - -	3,896,000	93
May - -	3,396,000	99	May - -	4,048,000	98	May - -	5,098,000	103	May - -	4,181,000	100
June - -	3,633,000	106	June - -	4,393,000	106	June - -	5,243,000	106	June - -	4,423,000	106
July - -	3,401,000	99	July - -	4,084,000	99	July - -	4,940,000	99	July - -	4,142,000	99
August - -	3,359,000	98	August - -	4,011,000	97	August - -	4,845,000	98	August - -	4,071,000	98
September -	3,364,000	98	September -	4,042,000	98	September -	4,842,000	98	September -	4,083,000	98
October -	3,497,000	102	October -	4,242,000	102	October -	5,043,000	102	October -	4,261,000	102
November -	3,710,000	108	November -	4,470,000	108	November -	5,284,000	107	November -	4,488,000	107
December -	3,722,700	109	December -	4,518,000	109	December -	5,407,000	109	December -	4,549,000	109

SCOTLAND.

TABLE XII.—Average Issue of Banks in 1874. Proportion of Actual to Authorised Issue, and Proport of Small and Large Notes in the Issue of each Bank.

NAME OF BANK.	Authorised Issue.	Actual Issue.	Branches.	Name of Place where Head Office is situated.	Proportion of Actual to Authorised Issue. Authorised Issue = 100.	Proportion of Large and Small No in the Issue of each Bank.			
						Under £. 5.		£. 5 and ove	
	£.	£.				£.	P'Ct.	£.	P
Bank of Scotland	343,418	667,000	76	Edinburgh	194	453,000	68	214,000	
Royal Bank of Scotland	216,451	719,000	106	- ditto -	332	474,000	66	245,000	
British Linen Company	438,024	530,000	67	- ditto -	121	355,000	67	175,000	
Commercial Bank of Scotland	374,880	774,000	100	- ditto -	207	546,000	70	228,000	
National Bank of Scotland	297,024	587,000	91	- ditto -	198	406,000	69	181,000	
Union Bank of Scotland	454,346	789,000	116	Glasgow and Edinburgh.	174	529,000	67	260,000	
Aberdeen Town and County Bank	70,133	199,000	38	Aberdeen	284	110,000	55	89,000	
North of Scotland Banking Company	154,319	322,000	46	- ditto -	209	159,000	49	163,000	
Clydesdale Banking Company	274,321	536,000	79	Glasgow	195	350,000	65	186,000	
City of Glasgow Bank *	72,921	673,000	122	- ditto -	925	449,000	67	224,000	
Caledonian Banking Company	53,434	104,000	21	Inverness	195	69,000	66	35,000	
	2,749,271	5,900,000	862	- -	214	3,900,000	66	2,000,000	

* The City of Glasgow Bank is stated to be incorporated with the Bank of Mona in the Isle of Man, which has a fixed issue of 40,000 *l.*, under Ac the Legislature of the Isle of Man, and is incorporated by Charter of the House of Keys.

Note.—This statement is prepared from the Scotch Circulation Returns, published in the "Banker's Magazine."

TABLE XIII.—Annual Averages of Total Irish Country Note Circulation for the Years 1845 1874; showing that the fluctuations in it from Month to Month recur periodically in each Year.

1845. Average of Year. £. 6,949,402 = 100.			1846. Average of Year. £. 7,259,948 = 100.			1847. Average of Year. £. 6,008,831 = 100.			1848. Average of Year. £. 4,828,991 = 100.			1849. Average of Year. £. 4,310,282 = 100.		
	£.			£.			£.			£.			£.	
4 Jan.	6,984,000	100	3 Jan.	7,404,000	102	2 Jan.	7,515,000	125	1 Jan.	5,196,000	108	27 Jan.	4,675,000	
1 Feb.	7,098,000	102	31 Jan.	7,411,000	102	30 Jan.	7,259,000	121	29 Jan.	5,234,000	108	24 Feb.	4,560,000	
1 March	7,122,000	103	28 Feb.	7,470,000	103	27 Feb.	7,030,000	117	26 Feb.	5,220,000	108	24 Mar.	4,402,000	
29 March	7,052,000	101	28 Mar.	7,445,000	103	27 Mar.	6,705,000	112	25 Mar.	5,107,000	106	21 April	4,377,000	
26 April	7,053,000	101	25 April	7,572,000	104	24 April	6,521,000	108	22 April	5,009,000	104	19 May	4,288,000	
24 May	6,927,000	100	23 May	7,422,000	102	22 May	6,018,000	100	20 May	4,841,000	100	16 June	4,046,000	
21 June	6,619,000	95	20 June	6,972,000	96	19 June	5,465,000	91	17 June	4,661,000	96	14 July	3,913,000	
19 July	6,494,000	94	18 July	6,686,000	92	17 July	5,257,000	88	15 July	4,479,000	93	11 Aug.	3,833,000	
16 Aug.	6,359,000	92	15 Aug.	6,481,000	89	14 Aug.	5,097,000	85	12 Aug.	4,313,000	89	8 Sept.	3,811,000	
13 Sept.	6,260,000	90	12 Sept.	6,588,000	91	11 Sept.	5,048,000	84	9 Sept.	4,265,000	88	6 Oct.	4,134,000	
11 Oct.	6,833,000	98	10 Oct.	7,252,000	100	9 Oct.	5,356,000	89	7 Oct.	4,506,000	93	3 Nov.	4,686,000	
8 Nov.	7,825,000	113	7 Nov.	7,837,000	108	6 Nov.	5,519,000	92	4 Nov.	5,027,000	104	1 Dec.	4,674,000	
6 Dec.	7,717,000	111	5 Dec.	7,840,000	108	4 Dec.	5,323,000	89	2 Dec.	4,969,000	103	29 Dec.	4,635,000	
									30 Dec.	4,778,000	99			

1850. Average of Year. £. 4,512,443 = 100.			1851. Average of Year. £. 4,462,908 = 100.			1852. Average of Year. £. 4,818,247 = 100.			1853. Average of Year. £. 5,650,454 = 100.			1854. Average of Year. £. 6,295,606 = 100.		
	£.			£.			£.			£.			£.	
26 Jan.	4,670,000	104	25 Jan.	4,783,000	107	24 Jan.	4,680,000	97	22 Jan.	5,690,000	101	21 Jan.	6,540,000	
23 Feb.	4,636,000	102	22 Feb.	4,741,000	106	21 Feb.	4,654,000	96	19 Feb.	5,681,000	101	18 Feb.	6,795,000	
23 March	4,490,000	99	22 Mar.	4,621,000	103	20 Mar.	4,562,000	95	19 Mar.	5,521,000	98	18 Mar.	6,711,000	
20 April	4,489,000	99	19 April	4,564,000	102	17 April	4,553,000	94	16 April	5,516,000	97	15 April	6,641,000	
18 May	4,469,000	99	17 May	4,529,000	101	15 May	4,616,000	96	14 May	5,509,000	97	13 May	6,586,000	
15 June	4,242,000	94	14 June	4,269,000	95	12 June	4,529,000	94	11 June	5,366,000	95	10 June	6,180,000	
13 July	4,145,000	92	12 July	4,056,000	91	10 July	4,496,000	91	9 July	5,174,000	91	8 July	5,801,000	
10 Aug.	4,078,000	90	9 Aug.	3,978,000	89	7 Aug.	4,397,000	91	6 Aug.	5,159,000	91	5 Aug.	5,614,000	
7 Sept.	4,154,000	92	6 Sept.	3,972,000	89	4 Sept.	4,509,000	93	3 Sept.	5,230,000	92	2 Sept.	5,577,000	
5 Oct.	4,494,000	99	4 Oct.	4,216,000	94	2 Oct.	4,876,000	101	1 Oct.	5,511,000	97	30 Sept.	5,674,000	
2 Nov.	4,994,000	111	1 Nov.	4,713,000	105	30 Oct.	5,546,000	115	29 Oct.	6,267,000	111	28 Oct.	6,343,000	
30 Nov.	4,944,000	109	29 Nov.	4,848,000	108	27 Nov.	5,623,000	116	26 Nov.	6,379,000	113	25 Nov.	6,658,000	
28 Dec.	4,857,000	107	27 Dec.	4,727,000	106	24 Dec.	5,685,000	118	24 Dec.	6,453,000	114	23 Dec.	6,723,000	

TABLE XIII.—Annual Averages of Total Irish Country Note Circulation for the Years 1845 to 1874, &c.—*continued.*

1855.			1856.			1857.			1858.			1859.		
Average of Year. £. 6,362,303 = 100.			Average of Year. £. 6,652,317 = 100.			Average of Year. £. 6,821,999 = 100.			Average of Year. £. 6,183,068 = 100.			Average of Year. £. 6,870,238 = 100.		
	£.			£.			£.			£.			£.	
Jan. -	6,733,000	106	19 Jan.	6,970,000	105	17 Jan.	7,169,000	105	16 Jan.	5,938,000	96	15 Jan.	6,730,000	98
Feb. -	6,786,000	107	16 Feb.	6,853,000	103	14 Feb.	7,254,000	106	13 Feb.	6,172,000	99	12 Feb.	6,899,000	100
Mar. -	6,658,000	105	16 Mar.	6,592,000	99	14 Mar.	7,173,000	105	13 Mar.	6,196,000	100	12 Mar.	6,935,000	101
April -	6,462,000	102	12 April	6,475,000	97	11 April	7,154,000	105	10 April	6,235,000	101	9 April	6,963,000	101
May -	6,342,000	100	11 May	6,512,000	98	9 May	7,155,000	105	8 May	6,263,000	101	7 May	7,052,000	103
June -	6,022,000	94	8 June	6,364,000	95	6 June	6,914,000	101	5 June	6,108,000	99	4 June	6,800,000	99
July -	5,753,000	90	6 July	6,179,000	93	4 July	6,581,000	97	3 July	5,847,000	94	2 July	6,544,000	95
August -	5,664,000	89	3 Aug.	6,132,000	92	1 Aug.	6,434,000	94	31 July	5,749,000	93	30 July	6,356,000	92
Sept. -	5,595,000	88	31 Aug.	6,042,000	91	29 Aug.	6,245,000	92	28 Aug.	5,665,000	91	27 Aug.	6,317,000	92
Sept. -	5,900,000	93	28 Sept.	6,387,000	96	26 Sept.	6,497,000	95	25 Sept.	5,925,000	96	24 Sept.	6,614,000	96
Oct. -	6,789,000	107	26 Oct.	7,242,000	109	24 Oct.	7,262,000	107	23 Oct.	6,691,000	108	22 Oct.	7,254,000	105
Nov. -	6,964,000	109	23 Nov.	7,426,000	111	21 Nov.	6,773,000	99	20 Nov.	6,835,000	110	19 Nov.	7,446,000	108
Dec. -	7,043,000	111	21 Dec.	7,307,000	110	19 Dec.	6,076,000	89	18 Dec.	6,757,000	109	17 Dec.	7,404,000	108

1860.			1861.			1862.			1863.			1864.		
Average of Year. £. 6,839,855 = 100.			Average of Year. £. 6,265,803 = 100.			Average of Year. £. 5,658,393 = 100.			Average of Year. £. 5,404,762 = 100.			Average of Year. £. 5,594,389 = 100.		
	£.			£.			£.			£.			£.	
Jan. -	7,362,000	107	12 Jan.	6,910,000	110	11 Jan.	6,171,000	109	10 Jan.	5,538,000	102	9 Jan.	5,664,000	101
Feb. -	7,354,000	107	9 Feb.	6,920,000	110	8 Feb.	6,082,000	107	7 Feb.	5,489,000	101	6 Feb.	5,664,000	101
Mar. -	7,204,000	105	9 Mar.	6,680,000	107	8 Mar.	5,902,000	104	7 Mar.	5,395,000	100	6 Mar.	5,563,000	99
April -	7,095,000	104	6 April	6,550,000	104	5 April	5,788,000	102	4 April	5,377,000	99	2 April	5,533,000	99
May -	7,013,000	103	4 May	6,520,000	104	3 May	5,859,000	103	2 May	5,480,000	101	30 April	5,652,000	101
June -	6,830,000	100	1 June	6,330,000	101	31 May	5,741,000	101	30 May	5,375,000	99	28 May	5,791,000	103
June -	6,512,000	95	29 June	5,820,000	93	28 June	5,397,000	95	27 June	5,084,000	94	25 June	5,498,000	98
July -	6,303,000	92	27 July	5,610,000	90	26 July	5,191,000	92	25 July	4,986,000	92	23 July	5,345,000	96
Aug. -	6,188,000	90	24 Aug.	5,520,000	88	23 Aug.	5,029,000	89	22 Aug.	4,882,000	90	20 Aug.	5,208,000	93
Sept. -	6,166,000	90	21 Sept.	5,590,000	89	20 Sept.	5,071,000	89	19 Sept.	5,040,000	93	17 Sept.	5,328,000	95
Oct. -	6,701,000	98	19 Oct.	6,140,000	98	18 Oct.	5,561,000	98	17 Oct.	5,660,000	105	15 Oct.	5,650,000	101
Nov. -	7,150,000	104	16 Nov.	6,459,000	103	15 Nov.	5,923,000	104	14 Nov.	6,016,000	111	12 Nov.	5,956,000	106
Dec. -	7,040,000	103	14 Dec.	6,407,000	102	13 Dec.	5,843,000	103	12 Dec.	5,940,000	110	10 Dec.	5,873,000	105

1865.			1866.			1867.			1868.			1869.		
Average of Year. £. 5,986,950 = 100.			Average of Year. £. 5,884,488 = 100.			Average of Year. £. 5,811,117 = 100.			Average of Year. £. 6,180,961 = 100.			Average of Year. £. 6,607,727 = 100.		
	£.			£.			£.			£.			£.	
Jan. -	5,661,000	94	6 Jan.	6,435,000	109	5 Jan.	6,143,000	106	4 Jan.	6,143,000	99	2 Jan.	6,794,000	103
Feb. -	5,714,000	95	3 Feb.	6,330,000	108	2 Feb.	6,187,000	107	1 Feb.	6,074,000	98	30 Jan.	6,705,000	101
Mar. -	5,703,000	95	3 Mar.	6,153,000	105	2 Mar.	6,146,000	106	29 Feb.	6,082,000	99	27 Feb.	6,666,000	101
April -	5,694,000	95	31 Mar.	6,017,000	102	30 Mar.	5,873,000	101	28 Mar.	6,097,000	99	27 Mar.	6,579,000	99
April -	5,858,000	98	28 April	6,030,000	102	27 April	5,861,000	101	25 April	6,292,000	102	24 April	6,630,000	100
May -	5,930,000	99	26 May	5,811,000	98	25 May	5,730,000	98	23 May	6,239,000	101	22 May	6,644,000	101
June -	5,763,000	96	23 June	5,312,000	90	23 June	5,364,000	92	20 June	5,897,000	95	19 June	6,291,000	95
July -	5,718,000	95	21 July	5,095,000	86	20 July	5,159,000	89	18 July	5,660,000	92	17 July	6,146,000	93
Aug. -	5,664,000	94	18 Aug.	5,144,000	87	17 Aug.	5,116,000	88	15 Aug.	5,520,000	89	14 Aug.	6,032,000	91
Sept. -	5,939,000	99	15 Sept.	5,266,000	89	14 Sept.	5,141,000	88	12 Sept.	5,734,000	93	11 Sept.	6,021,000	91
Oct. -	6,608,000	110	13 Oct.	5,901,000	100	12 Oct.	5,865,000	101	10 Oct.	6,497,000	105	9 Oct.	6,658,000	101
Nov. -	6,888,000	115	10 Nov.	6,553,000	111	9 Nov.	6,544,000	111	7 Nov.	7,060,000	114	6 Nov.	7,381,000	112
Dec. -	6,691,000	112	8 Dec.	6,452,000	109	7 Dec.	6,416,000	110	5 Dec.	7,056,000	114	4 Dec.	7,354,000	111

1870.			1871.			1872.			1873.			1874.		
Average of Year. £. 6,879,572 = 100.			Average of Year. £. 7,544,152 = 100.			Average of Year. £. 7,674,216 = 100.			Average of Year. £. 7,076,895 = 100.			Average of Year. £. 6,767,692 = 100.		
	£.			£.			£.			£.			£.	
Jan. -	7,056,000	103	28 Jan.	7,393,000	98	27 Jan.	7,811,000	102	25 Jan.	7,371,000	104	24 Jan.	6,880,000	102
Jan. -	6,891,000	100	25 Feb.	7,406,000	98	24 Feb.	7,700,000	100	22 Feb.	7,238,000	102	21 Feb.	6,870,000	102
Feb. -	6,807,000	99	25 Mar.	7,341,000	97	23 Mar.	7,595,000	99	22 Mar.	7,157,000	101	21 Mar.	6,690,000	99
Mar. -	6,726,000	98	22 April	7,480,000	99	20 April	7,791,000	102	19 April	7,269,000	103	18 April	6,820,000	101
April -	6,903,000	100	20 May	7,560,000	100	18 May	7,793,000	102	17 May	7,294,000	103	16 May	6,870,000	102
May -	6,960,000	101	17 June	7,253,000	96	15 June	7,545,000	98	14 June	6,926,000	98	13 June	6,530,000	96
June -	6,685,000	97	15 July	7,047,000	93	13 July	7,427,000	97	12 July	6,609,000	93	11 July	6,200,000	92
July -	6,433,000	94	12 Aug.	6,974,000	92	10 Aug	7,355,000	96	9 Aug.	6,519,000	92	8 Aug.	6,090,000	90
Aug. -	6,258,000	91	9 Sept.	7,003,000	93	7 Sept.	7,242,000	94	6 Sept.	6,457,000	91	5 Sept.	6,080,000	90
Sept. -	6,244,000	91	7 Oct.	7,698,000	102	5 Oct.	7,594,000	99	4 Oct.	6,927,000	98	3 Oct.	6,740,000	99
Oct. -	6,832,000	99	4 Nov.	8,462,000	112	2 Nov.	8,280,000	108	1 Nov.	7,642,000	108	31 Oct.	7,560,000	112
Nov. -	7,511,000	109	2 Dec.	8,406,000	111	30 Nov.	8,013,000	104	29 Nov.	7,480,000	106	28 Nov.	7,500,000	111
Dec. -	7,576,000	110	30 Dec.	8,052,000	107	28 Dec.	7,620,000	99	27 Dec.	7,110,000	100	26 Dec.	7,150,000	106
Dec. -	7,432,000	108												

TABLE XIV.—Averages of Total Irish Country Note Circulation for the Ten Years 184
1854, 1855 to 1864, 1865 to 1874, and for the Thirty Years 1845 to 1874; showing the Fluctuat
which take place from Month to Month in the Irish Country Note Circulation recur periodically in e
Year.

Average of Ten Years, 1845–1854. £. 5,483,264 = 100.			Average of Ten Years, 1855–1864. £. 6,287,552 = 100.			Average of Ten Years, 1865–1874. £. 6,616,638 = 100.			Average of Thirty Years, 1845–1874. £. 6,129,141 = 100.		
	£.			£.			£.			£.	
January -	5,803,000	106	January -	6,518,000	104	January -	6,756,000	102	January -	6,359,000	
February -	5,789,000	106	February -	6,547,000	104	February -	6,699,000	101	February -	6,345,000	
March - -	5,665,000	103	March - -	6,430,000	102	March - -	6,598,000	100	March - -	6,231,000	
April - -	5,630,000	102	April - -	6,369,000	101	April - -	6,685,000	101	April - -	6,228,000	
May - -	5,520,000	101	May - -	6,388,000	102	May - -	6,683,000	101	May - -	6,197,000	
June - -	5,235,000	95	June - -	6,093,000	97	June - -	6,356,000	96	June - -	5,895,000	
July - -	5,041,000	92	July - -	5,820,000	92	July - -	6,149,000	93	July - -	5,670,000	
August -	4,931,000	90	August - -	5,690,000	90	August - -	6,067,000	92	August - -	5,563,000	
September -	4,946,000	90	September -	5,836,000	93	September -	6,113,000	92	September -	5,632,000	
October -	5,423,000	99	October -	6,495,000	103	October -	6,773,000	102	October -	6,231,000	
November -	5,930,000	108	November -	6,695,000	106	November -	7,361,000	111	November -	6,662,000	
December -	5,885,000	107	December -	6,569,000	104	December -	7,158,000	108	December -	6,537,000	

IRELAND.

TABLE XV.—Average Issue of Banks in 1874. Proportion of Actual to Authorised Issue, an
Proportion of Small and Large Notes in the Issue of each Bank.

NAME OF BANK.	Authorised Issue.	Actual Issue.	Branches.	Name of Place where Head Office is situated.	Proportion of Actual to Authorised Issue. Authorised Issue = 100.	Proportion of Large and Small N in the Issue of each Bank.			
						Under £. 5.		£. 5 and ove	
	£.	£.				£.	P' Ct.	£.	P
Bank of Ireland - - - -	3,738,428	2,879,000	49	Dublin - -	77	1,073,000	37	1,806,000	
Provincial Bank of Ireland - -	927,667	885,000	44	London - -	95	408,000	46	477,000	
Belfast Banking Company - - -	281,611	476,000	35	Belfast - -	169	285,000	60	191,000	
Northern Banking Company - -	243,440	477,000	35 8-Sub.	Ditto - -	197	308,000	65	169,000	
Ulster Banking Company - - -	311,079	686,000	43	Ditto - -	221	374,000	55	312,000	
National Bank - - - - -	852,269	1,266,000	83 29-Sub.	London - -	160	577,000	42	789,000	
£.	6,354,494	6,769,000	326	- -	107	3,025,000	45	3,744,000	

Note.—This Statement is prepared from the Irish Circulation Returns published in the "Banker's Magazine."

ABLE XVI.—Annual Averages of Bank of England Total Note Circulation, showing the Fluctuations in it for each Month for the Years 1845 to 1874.

1845.			1846.			1847.			1848.			1849.		
£. 20,674,000 = 100.			£. 20,252,000 = 100.			£. 19,123,000 = 100.			£. 18,086,000 = 100.			£. 18,438,000 = 100.		
	£.			£.			£.			£.			£.	
uary -	20,330,000	99	Jan. -	20,977,000	104	Jan. -	20,523,000	107	Jan. -	18,767,000	104	Jan. -	18,207,000	99
ruary	20,211,000	98	Feb. -	20,162,000	100	Feb. -	19,537,000	102	Feb. -	18,479,000	102	Feb. -	18,384,000	100
ch -	19,733,000	96	Mar. -	19,431,000	96	Mar. -	19,256,000	101	Mar. -	17,779,000	98	Mar. -	17,889,000	97
il -	20,965,000	101	April -	20,311,000	100	April -	20,083,000	105	April -	18,374,000	102	April -	18,870,000	102
-	20,775,000	101	May -	20,195,000	100	May -	19,197,000	100	May -	18,214,000	101	May -	18,838,000	102
e -	20,240,000	98	June -	19,607,000	97	June -	18,145,000	95	June -	17,578,000	97	June -	18,051,000	98
-	21,257,000	103	July -	20,652,000	102	July -	18,867,000	99	July -	18,614,000	103	July -	19,223,000	104
ust -	21,123,000	102	Aug. -	20,435,000	101	Aug. -	18,426,000	96	Aug. -	18,320,000	101	Aug. -	18,830,000	102
. -	20,510,000	99	Sept. -	20,113,000	99	Sept. -	18,015,000	94	Sept. -	17,698,000	98	Sept. -	17,949,000	97
ober -	21,643,000	105	Oct. -	21,041,000	104	Oct. -	19,572,000	102	Oct. -	18,239,000	101	Oct. -	18,653,000	101
. -	21,140,000	102	Nov. -	20,394,000	101	Nov. -	19,678,000	103	Nov. -	17,965,000	99	Nov. -	18,371,000	100
. -	20,156,000	98	Dec. -	19,708,000	97	Dec. -	18,171,000	95	Dec. -	17,004,000	94	Dec. -	17,986,000	98

1850.			1851.			1852.			1853.			1854.		
£. 19,448,000 = 100.			£. 19,468,000 = 100.			£. 21,910,000 = 100.			£. 22,602,000 = 100.			£. 20,688,000 = 100.		
	£.			£.			£.			£.			£.	
uary -	19,095,000	98	Jan. -	19,588,000	101	Jan. -	20,400,000	93	Jan. -	23,307,000	103	Jan. -	21,977,000	106
ruary	19,281,000	99	Feb. -	19,107,000	98	Feb. -	20,442,000	93	Feb. -	22,257,000	98	Feb. -	21,449,900	104
ch -	18,983,000	98	Mar. -	18,888,000	97	Mar. -	20,150,000	92	Mar. -	21,812,000	97	Mar. -	21,148,000	102
l -	20,013,000	103	April -	19,682,000	101	April -	21,387,000	98	April -	23,102,000	102	April -	22,217,000	107
-	19,870,000	102	May -	19,337,000	99	May -	21,660,000	99	May -	22,963,000	102	May -	21,064,000	102
-	19,199,000	99	June -	18,987,000	97	June -	21,438,000	98	June -	22,958,000	102	June -	20,042,000	97
-	20,514,000	100	July -	20,221,000	104	July -	23,216,000	106	July -	23,504,000	104	July -	20,494,000	99
ust -	20,004,000	103	Aug. -	20,018,000	103	Aug. -	22,843,000	104	Aug. -	23,101,000	102	Aug. -	20,159,000	98
. -	19,154,000	99	Sept. -	19,151,000	98	Sept. -	22,016,000	101	Sept. -	22,255,000	98	Sept. -	19,663,000	95
ber -	19,676,000	101	Oct. -	20,100,000	103	Oct. -	23,025,000	105	Oct. -	23,083,000	102	Oct. -	20,586,000	99
. -	19,076,000	98	Nov. -	19,751,000	101	Nov. -	22,982,000	105	Nov. -	21,936,000	97	Nov. -	20,123,000	97
. -	18,516,000	95	Dec. -	18,785,000	96	Dec. -	22,435,000	102	Dec. -	20,949,000	93	Dec. -	19,339,000	94

1855.			1856.			1857.			1858.			1859.		
£. 19,830,000 = 100.			£. 19,667,000 = 100.			£. 19,467,000 = 100.			£. 20,248,000 = 100.			£. 21,326,000 = 100.		
	£.			£.			£.			£.			£.	
uary -	19,905,000	100	Jan. -	19,239,000	98	Jan. -	19,276,000	99	Jan. -	19,714,000	97	Jan. -	20,916,000	98
ruary	19,415,000	98	Feb. -	18,798,000	96	Feb. -	18,720,000	96	Feb. -	19,708,000	97	Feb. -	20,611,000	97
ch -	19,119,000	96	Mar. -	18,691,000	95	Mar. -	18,746,000	96	Mar. -	19,602,000	97	Mar. -	20,539,000	96
l -	20,210,000	102	April -	19,848,000	101	April -	19,703,000	101	April -	20,389,000	101	April -	21,824,000	102
-	19,832,000	100	May -	19,718,000	100	May -	19,294,000	99	May -	20,356,000	100	May -	21,672,000	102
e -	19,687,000	99	June -	19,413,000	99	June -	18,876,000	97	June -	19,850,000	98	June -	20,894,000	98
-	20,800,000	105	July -	20,724,000	105	July -	19,746,000	102	July -	20,584,000	102	July -	21,773,000	102
ust -	20,381,000	103	Aug. -	20,146,000	103	Aug. -	19,458,000	100	Aug. -	20,548,000	102	Aug. -	21,832,000	102
. -	19,908,000	100	Sept. -	19,936,000	101	Sept. -	19,041,000	98	Sept. -	20,196,000	100	Sept. -	21,165,000	99
ber -	20,437,000	103	Oct. -	20,774,000	106	Oct. -	20,052,000	103	Oct. -	21,186,000	104	Oct. -	22,243,000	104
. -	19,583,000	99	Nov. -	19,947,000	102	Nov. -	20,799,000	107	Nov. -	20,860,000	103	Nov. -	21,600,000	101
. -	18,683,000	94	Dec. -	18,767,000	95	Dec. -	19,892,000	102	Dec. -	19,982,000	99	Dec. -	20,843,000	98

1860.			1861.			1862.			1863.			1864.		
£. 21,252,000 = 100.			£. 19,992,000 = 100.			£. 20,835,000 = 100.			£. 20,664,000 = 100.			£. 20,605,000 = 100.		
	£.			£.			£.			£.			£.	
uary -	21,834,000	103	Jan. -	20,276,000	12	Jan. -	20,528,000	98	Jan. -	20,197,000	98	Jan. -	20,649,000	100
ruary	21,092,000	99	Feb. -	19,651,000	98	Feb. -	20,358,000	98	Feb. -	19,582,000	95	Feb. -	20,134,000	98
rch -	20,624,000	97	Mar. -	19,147,000	96	Mar. -	20,152,000	97	Mar. -	19,493,000	94	Mar. -	20,077,000	97
ril -	22,191,000	105	April -	20,078,000	100	April -	21,136,000	101	April -	20,689,000	100	April -	21,089,000	102
y -	21,677,000	102	May -	19,942,000	100	May -	20,854,000	100	May -	20,616,000	100	May -	20,919,000	101
e -	21,005,000	99	June -	19,399,000	97	June -	20,651,000	99	June -	20,276,000	98	June -	20,430,000	99
y -	22,040,000	104	July -	20,221,000	101	July -	22,035,000	106	July -	21,372,000	104	July -	21,570,000	105
gust -	21,570,000	102	Aug.	20,054,000	100	Aug. -	21,994,000	105	Aug. -	21,312,000	103	Aug. -	21,111,000	102
pt. -	20,978,000	99	Sept. -	19,990,000	100	Sept. -	20,960,000	101	Sept. -	21,032,000	102	Sept. -	20,451,000	99
tober -	21,608,000	102	Oct. -	20,971,000	105	Oct. -	21,388,000	103	Oct. -	21,963,000	106	Oct. -	21,190,000	103
v. -	20,540,000	97	Nov. -	20,497,000	103	Nov. -	20,437,000	98	Nov. -	21,267,000	103	Nov. -	20,203,000	98
c. -	19,868,000	93	Dec. -	19,679,000	99	Dec. -	19,532,000	94	Dec. -	20,160,000	98	Dec. -	19,434,000	94

TABLE XVI.—Annual Averages of Bank of England Total Note Circulation, showing the Fluctuations, &c.—*continued*

1865. £. 21,117,000 = 100.			1866. £. 23,159,000 = 100.			1867. £. 23,438,000 = 100.			1868. £. 23,932,000 = 100.			1869. £. 23,483,000 = 100.		
	£.			£.			£.			£.			£.	
January -	20,463,000	97	January	21,333,000	92	January	23,125,000	99	January	24,029,000	100	January	23,911,000	1
February -	20,102,000	95	February	20,777,000	90	February	22,581,000	96	February	23,418,000	98	February	23,275,000	
March -	19,787,000	94	March -	20,878,000	90	March -	22,183,000	95	March -	23,282,000	97	March -	23,208,000	
April -	21,051,000	100	April -	22,210,000	96	April -	23,255,000	99	April -	24,267,000	101	April -	23,723,000	1
May -	21,383,000	101	May -	24,565,000	106	May -	23,066,000	98	May -	24,009,000	100	May -	23,502,000	1
June -	20,930,000	99	June -	25,337,000	109	June -	22,962,000	98	June -	23,743,000	99	June -	23,003,000	
July -	22,229,000	105	July -	25,407,000	109	July -	24,158,000	103	July -	24,633,000	103	July -	23,827,000	1
August -	22,003,000	104	August	24,632,000	106	August -	24,020,000	103	August -	24,424,000	102	August -	23,755,000	1
September	21,479,000	102	Sept. -	23,515,000	101	Sept. -	23,721,000	101	Sept. -	23,958,000	100	Sept. -	23,399,000	1
October -	22,294,000	106	Oct. -	23,984,000	104	Oct. -	24,763,000	106	Oct. -	24,458,000	102	Oct. -	23,993,000	1
November	21,156,000	100	Nov. -	23,067,000	99	Nov. -	24,051,000	102	Nov. -	23,795,000	99	Nov. -	23,398,000	1
December	20,533,000	97	Dec. -	22,210,000	96	Dec. -	23,373,000	100	Dec. -	23,178,000	97	Dec. -	22,802,000	

1870. £. 23,327,000 = 100.			1871. £. 24,416,000 = 100.			1872. £. 25,492,000 = 100.			1873. £. 25,645,000 = 100.			1874. £, 26,264,000 = 100.		
	£.			£.			£.			£.			£.	
January -	23,461,000	100	January	23,839,000	98	January	25,275,000	99	January	25,422,000	99	January	25,789,000	
February -	22,729,000	97	February	23,386,000	96	February	24,625,000	96	February	24,885,000	97	February	25,285,000	
March -	22,351,000	96	March -	23,147,000	95	March -	24,625,000	99	March -	24,949,000	97	March -	25,383,000	
April -	23,442,000	100	April -	24,220,000	99	April -	25,834,000	101	April -	26,163,000	102	April -	26,445,000	1
May -	23,338,000	100	May -	24,365,000	100	May -	25,583,000	100	May -	25,835,000	101	May -	26,259,000	1
June -	22,841,000	98	June -	23,864,000	98	June -	25,104,000	98	June -	25,254,000	98	June -	25,894,000	
July -	24,060,000	103	July -	25,081,000	102	July -	26,277,000	103	July -	26,023,000	101	July -	27,048,000	1
August -	23,670,000	101	August -	25,221,000	103	August -	26,150,000	102	August -	26,130,000	102	August -	26,777,000	1
September	23,223,000	100	Sept. -	24,905,000	102	Sept. -	25,992,000	102	Sept. -	25,753,000	100	Sept. -	26,572,000	1
October -	24,142,000	103	Oct. -	25,820,000	106	Oct. -	26,440,000	104	Oct. -	26,552,000	103	Oct. -	27,260,000	1
November	23,631,000	101	Nov. -	24,865,000	102	Nov. -	25,229,000	99	Nov. -	25,572,000	99	Nov. -	26,568,000	1
December -	23,040,000	99	Dec. -	24,278,000	99	Dec. -	24,773,000	97	Dec. -	25,199,000	97	Dec. -	25,888,000	

TABLE XVII.—AVERAGES of BANK of ENGLAND CIRCULATION for the Ten Years 1845 to 1854, 185 to 1864, 1865 to 1874, and for the Thirty Years 1845 to 1874, showing the Fluctuations in the Circulatio during those Periods.

Average of Ten Years, 1845–1854. £. 20,061,000 = 100.			Average of Ten Years, 1855–1864. £. 20,388,500 = 100.			Average of Ten Years, 1865–1874. £. 24,027,500 = 100.			Average of Thirty Years, 1845–1874. £. 21,492,000 = 100.		
	£.			£.			£.			£.	
January -	20,317,100	101	January -	20,253,400	99	January -	23,664,600	98	January -	21,411,700	1
February -	19,930,900	99	February -	19,806,900	97	February -	23,106,300	96	February -	20,948,000	
March - -	19,506,900	97	March - -	19,619,900	96	March - -	22,979,300	96	March - -	20,701,700	
April - -	20,500,400	102	April - -	20,715,700	102	April - -	24,061,000	100	April - -	21,759,000	1
May - -	20,211,300	101	May - -	20,488,100	100	May - -	24,190,500	101	May - -	21,629,900	1
June - -	19,624,500	98	June - -	20,048,100	98	June - -	23,893,200	99	June - -	21,184,600	
July - -	20,656,200	103	July - -	21,086,500	103	July - -	24,874,300	103	July - -	22,205,600	1
August - -	20,325,'00	101	August - -	20,840,600	102	August - -	24,678,200	103	August - -	21,948,200	1
September -	19,652,400	98	September -	20,365,700	100	September -	24,251,700	101	September -	21,423,200	1
October -	20,561,800	103	October -	21,181,200	104	October -	24,970,600	104	October -	22,237,900	1
November -	20,141,600	100	November -	20,573,300	101	November -	24,133,200	100	November -	21,616,000	1
December -	19,304,900	96	December -	19,684,000	97	December -	23,527,400	8	December -	20,838,700	

Appendix. No. 14.

TABLE XVIII.—Annual Averages of Total Circulation of *United Kingdom* for the Years 1845 to 1874; showing the Total Circulation, the Proportion *issued against* Gold, the Proportion *not issued against* Gold, and the Monthly fluctuations under these Three Heads, showing that the fluctuations in the Portion *issued against* Gold are greater than in the remainder of the Circulation.

1845.

	Total Circulation. Average of Year £. 38,648,000 = 100.		Proportion *issued against* Gold. Average of Year £. 7,336,000 = 100. 19 per cent.			Proportion *not issued against* Gold. Average of Year £. 31,312,000 = 100. 81 per cent.		
	£.		£.		*p' cent.*	£.		*p' cent.*
January - -	38,163,000	99	7,032,000	96	18	31,131,000	99	82
February -	37,929,000	98	6,211,000	85	16	31,718,000	101	84
March - -	37,349,000	97	5,733,000	78	15	31,616,000	101	85
April - -	39,009,000	101	6,965,000	95	18	32,044,000	102	82
May - -	38,909,000	101	7,618,000	104	19	31,291,000	100	81
June - -	37,865,000	98	6,904,000	94	18	30,961,000	99	82
July - -	38,725,000	100	7,644,000	104	20	31,081,000	99	80
August - -	38,315,000	99	7,344,000	100	19	30,971,000	99	81
September -	37,711,000	98	6,764,000	92	18	30,947,000	99	82
October - -	40,024,000	104	8,463,000	115	21	31,561,000	101	79
November -	40,419,000	105	9,118,000	125	23	31,301,000	100	77
December -	39,357,000	102	8,236,000	112	21	31,121,000	99	79

1846.

	Total Circulation. Average of Year £. 38,651,000 = 100.		Proportion *issued against* Gold. Average of Year £. 7,482,000 = 100. 19 per cent.			Proportion *not issued against* Gold. Average of Year £. 31,169,000 = 100. 81 per cent.		
	£.		£.		*p' cent.*	£.		*p' cent.*
January - -	39,494,000	102	8,203,000	110	21	31,291,000	100	79
February -	38,296,000	99	7,278,000	97	19	31,018,000	99	81
March - -	37,605,000	97	6,522,000	87	17	31,083,000	100	83
April - -	39,019,000	101	7,538,000	101	19	31,481,000	101	81
May - -	38,878,000	101	7,577,000	101	19	31,301,000	100	81
June - -	37,618,000	97	6,647,000	89	18	30,971,000	99	82
July - -	38,238,000	99	7,287,000	97	19	30,951,000	99	81
August - -	37,698,000	97	6,847,000	91	18	30,851,000	99	82
September -	37,878,000	98	6,707,000	90	18	31,171,000	100	82
October - -	40,048,000	104	8,517,000	114	21	31,531,000	101	79
November -	39,836,000	103	8,555,000	114	21	31,281,000	100	79
December -	39,205,000	101	8,104,000	108	21	31,101,000	100	79

1847.

	Total Circulation. Average of Year £. 35,929,000 = 100.		Proportion *issued against* Gold. Average of Year £. 5,768,000 = 100. 16 per cent.			Proportion *not issued against* Gold. Average of Year £. 30,161,000 = 100. 84 per cent.		
	£.		£.		*p' cent.*	£.		*p' cent.*
January - -	39,595,000	110	8,264,000	143	21	31,331,000	104	79
February -	37,820,000	105	6,629,000	115	18	31,191,000	103	82
March - -	37,111,000	103	5,880,000	102	16	31,231,000	104	84
April - -	38,020,000	106	6,559,000	114	17	31,461,000	104	83
May - -	36,542,000	102	5,627,000	97	15	30,915,000	103	85
June - -	34,667,000	97	4,705,000	81	14	29,962,000	99	86
July - -	34,950,000	97	5,276,000	91	15	29,674,000	98	85
August - -	34,149,000	95	4,795,000	83	14	29,354,000	97	86
September -	33,781,000	94	4,426,000	77	13	29,355,000	97	87
October - -	36,048,000	100	6,045,000	105	17	30,003,000	99	83
November -	35,294,000	98	6,198,000	107	18	29,096,000	96	82
December -	33,176,000	92	4,816,000	84	15	28,360,000	94	85

Appendix, No. 14. TABLE XVIII.—Annual Averages of Total Circulation of *United Kingdom*, &c.—*continued.*

1848.

	Total Circulation. Average of Year £. 32,356,000 = 100.		Proportion *issued against* Gold. Average of Year £. 4,228,000 = 100. 13 per cent.			Proportion *not issued against* Gold. Average of Year £. 28,128,000 = 100. 87 per cent.		
	£.		£.		*p'cent*	£.		*p'cent.*
January - -	33,953,000	105	5,431,000	128	16	28,522,000	101	84
February - -	32,881,000	101	4,479,000	105	14	28,402,000	101	86
March - -	32,008,000	99	3,779,000	89	12	28,229,000	100	88
April - -	32,957,000	102	4,374,000	103	13	28,583,000	102	87
May - -	32,727,000	101	4,279,000	101	13	28,448,000	101	87
June - -	31,857,000	98	3,929,000	93	12	27,928,000	99	88
July - -	32,260,000	100	4,634,000	110	14	27,626,000	98	86
August - -	31,619,000	98	4,320,000	102	14	27,299,000	97	86
September -	31,134,000	96	3,698,000	87	12	27,436,000	98	88
October - -	32,632,000	101	4,289,000	101	13	28,343,000	101	87
November -	32,838,000	101	4,184,000	99	13	28,654,000	102	87
December -	31,410,000	97	4,340,000	79	11	28,070,000	100	89

1849.

	Total Circulation. Average of Year £. 32,049,000 = 100.		Proportion *issued against* Gold. Average of Year £. 4,512,000 = 100. 14 per cent.			Proportion *not issued against* Gold. Average of Year £. 27,537,000 = 100. 86 per cent.		
	£.		£.		*p'cent.*	£.		*p'cent.*
January - -	32,185,000	100	4,207,000	93	13	27,978,000	102	87
February -	32,056,000	100	4,384,000	97	14	27,672,000	100	86
March - -	31,326,000	98	3,889,000	86	12	27,437,000	100	88
April - -	32,715,000	102	4,870,000	108	15	27,845,000	101	85
May - -	32,715,000	102	4,880,000	108	15	27,835,000	101	85
June - -	31,578,000	98	4,345,000	96	14	27,233,000	99	86
July - -	32,328,000	101	5,248,000	116	16	27,080,000	98	84
August - -	31,589,000	98	4,830,000	107	15	26,759,000	97	85
September -	30,683,000	96	3,949,000	88	13	26,734,000	97	87
October - -	32,476,000	101	4,705,000	104	14	27,771,000	101	86
November -	32,789,000	102	4,566,000	101	14	28,223,000	102	86
December -	32,151,000	100	4,270,000	95	13	27,881,000	101	87

1850.

	Total Circulation. Average of Year £. 33,457,000 = 100.		Proportion *issued against* Gold. Average of Year £. 5,584,000 = 100. 17 per cent.			Proportion *not issued against* Gold. Average of Year £. 27,873,000 = 100. 83 per cent.		
	£.		£.		*p'cent.*	£.		*p'cent.*
January - -	33,248,000	99	5,121,000	92	15	28,127,000	101	85
February - -	33,231,000	99	5,281,000	95	16	27,950,000	100	84
March - -	32,697,000	98	4,983,000	89	15	27,714,000	99	85
April - -	34,127,000	102	6,013,000	108	18	28,114,000	101	82
May - -	34,104,000	102	5,978,000	107	18	28,126,000	101	82
June - -	33,143,000	99	5,584,000	100	17	27,559,000	99	83
July - -	34,158,000	102	6,666,000	119	19	27,492,000	99	81
August - -	33,305,000	100	6,090,000	109	18	27,215,000	98	82
September -	32,612,000	97	5,241,000	94	16	27,371,000	98	84
October - -	34,063,000	102	5,832,000	105	17	28,231,000	101	83
November -	33,941,000	101	5,445,000	98	16	28,496,000	102	84
December -	32,859,000	98	4,775,000	85	15	28,084,000	101	85

TABLE XVIII.—Annual Averages of Total Circulation of *United Kingdom*, &c.—*continued.*

1851.

	Total Circulation. Average of Year £. 33,342,000 = 100.		Proportion *issued against* Gold. Average of Year £. 5,611,000 = 100. 17 per cent.			Proportion *not issued against* Gold. Average of Year £. 27,731,000 = 100. 83 per cent.		
	£.		£.		*p'cent.*	£.		*p'cent.*
January - -	33,923,000	102	5,753,000	103	17	28,170,000	101	83
February -	33,146,000	99	5,158,000	92	16	27,988,000	101	84
March - -	32,652,000	98	4,888,000	87	15	27,764,000	100	85
April - -	33,908,000	102	5,682,000	101	17	28,226,000	102	83
May - -	33,650,000	101	5,504,000	98	16	28,146,000	102	84
June - -	32,950,000	99	5,374,000	96	16	27,576,000	100	84
July - -	33,622,000	101	6,349,000	113	19	27,273,000	99	81
August - -	32,991,000	99	6,086,000	108	18	26,905,000	97	82
September -	32,139,000	96	5,190,000	93	16	26,949,000	97	84
October - -	33,912,000	102	6,179,000	110	18	27,733,000	100	82
November -	34,294,000	103	6,116,000	109	18	28,178,000	102	82
December -	32,919,000	99	5,055,000	90	15	27,864,000	101	85

1852.

	Total Circulation. Average of Year £. 36,422,000 = 100.		Proportion *issued against* Gold. Average of Year £. 8,140,000 = 100. 22 per cent.			Proportion *not issued against* Gold. Average of Year £. 28,283,000 = 100. 78 per cent.		
	£.		£.		*p'cent.*	£.		*p'cent.*
January - -	34,594,000	95	6,597,000	81	19	27,997,000	98	81
February -	34,405,000	95	6,534,000	80	19	27,871,000	98	81
March - -	33,974,000	93	6,150,000	76	18	27,824,000	98	82
April - -	35,632,000	98	7,412,000	91	21	28,220,000	100	79
May - -	36,089,000	99	7,876,000	97	22	28,213,000	100	78
June - -	35,797,000	98	7,931,000	98	22	27,866,000	98	78
July - -	37,270,000	102	9,477,000	116	25	27,803,000	98	75
August - -	36,728,000	101	9,064,000	111	25	27,664,000	98	75
September -	36,209,000	99	8,263,000	102	23	27,946,000	98	77
October - -	38,658,000	106	9,470,000	116	24	29,188,000	103	76
November -	39,269,000	108	9,799,000	120	25	29,470,000	104	75
December -	38,444,000	106	9,112,000	112	24	29,332,000	103	76

1853.

	Total Circulation. Average of Year £. 38,852,000 = 100.		Proportion *issued against* Gold. Average of Year £. 9,304,000 = 100 24 per cent.			Proportion *not issued against* Gold. Average of Year £. 29,548,000 = 100. 76 per cent.		
	£.		£.		*p'cent.*	£.		*p'cent.*
January - -	39,380,000	101	9,833,000	106	25	29,547,000	100	75
February -	38,118,000	98	8,700,000	93	23	29,418,000	100	77
March - -	37,507,000	97	8,169,000	88	22	29,338,000	99	78
April - -	39,161,000	101	9,508,000	102	24	29,653,000	100	76
May - -	39,119,000	101	9,563,000	103	24	29,556,000	100	76
June - -	39,050,000	100	9,897,000	106	25	29,153,000	98	75
July - -	39,190,000	101	10,179,000	109	26	29,011,000	98	74
August - -	38,627,000	99	9,761,000	105	25	28,866,000	97	75
September -	37,994,000	98	8,897,000	95	23	29,097,000	98	77
October - -	40,047,000	103	9,911,000	106	25	30,136,000	102	75
November -	39,681,000	102	9,160,000	98	23	30,521,000	103	77
December -	38,355,000	99	8,074,000	87	21	30,281,000	102	79

Appendix, No. 14.

TABLE XVIII.—Annual Averages of Total Circulation of United Kingdom, &c.—*continued.*

1854.

	Total Circulation. Average of Year, £.37,935,000=100.		Proportion *issued against* Gold. Average of Year, £.7,848,000=100. 21 per cent.			Proportion *not issued against* Gold. Average of Year, £.30,087,000=100. 79 per cent.		
	£.		£.		*p'cent.*	£.		*p'cent.*
January	39,545,000	104	9,074,000	116	23	30,471,000	101	77
February	39,138,000	103	8,777,000	112	22	30,361,000	101	78
March	38,603,000	102	8,262,000	105	21	30,341,000	101	79
April	39,792,000	105	9,251,000	118	23	30,541,000	101	77
May	38,568,000	102	8,177,000	104	21	30,391,000	101	79
June	37,161,000	98	7,274,000	93	20	29,887,000	99	80
July	36,826,000	97	7,428,000	95	20	29,398,000	98	80
August	36,076,000	95	7,035,000	90	19	29,041,000	96	81
September	35,737,000	94	6,495,000	83	18	29,242,000	97	82
October	38,211,000	101	7,681,000	98	20	30,530,000	101	80
November	38,313,000	101	7,792,000	99	20	30,521,000	101	80
December	37,258,000	98	6,937,000	88	19	30,321,000	101	81

1855.

	Total Circulation. Average of Year, £.37,254,000=100.		Proportion *issued against* Gold. Average of Year, £.7,100,000=100. 19 per cent.			Proportion *not issued against* Gold. Average of Year, £.30,154,000=100. 81 per cent.		
	£.		£.		*p'cent.*	£.		*p'cent.*
January	37,808,000	102	7,317,000	103	19	30,491,000	101	81
February	36,894,000	99	6,693,000	94	18	30,201,000	100	82
March	36,449,000	98	6,148,000	86	17	30,301,000	100	83
April	37,555,000	101	6,974,000	98	19	30,581,000	101	81
May	37,085,000	99	6,646,000	94	18	30,439,000	101	82
June	36,867,000	99	6,978,000	98	19	29,889,000	99	81
July	37,449,000	101	7,829,000	110	21	29,620,000	98	79
August	36,594,000	98	7,343,000	103	20	29,251,000	97	80
September	36,374,000	98	6,850,000	97	19	29,524,000	98	81
October	38,758,000	104	8,087,000	114	21	30,671,000	101	79
November	38,195,000	102	7,654,000	108	20	30,541,000	101	80
December	37,027,000	100	6,686,000	94	18	30,341,000	100	82

1856.

	Total Circulation. Average of Year, £.37,253,000=100.		Proportion *issued against* Gold. Average of Year, £.6,590,000=100. 18 per cent.			Proportion *not issued against* Gold. Average of Year, £.30,663,000=100. 82 per cent.		
	£.		£.		*p'cent.*	£.		*p'cent.*
January	37,352,000	100	6,436,000	98	17	30,916,000	101	83
February	36,308,000	97	5,692,000	86	16	30,616,000	100	84
March	35,883,000	96	5,187,000	79	14	30,696,000	100	86
April	37,196,000	100	6,190,000	94	17	31,006,000	101	83
May	37,159,000	100	6,253,000	95	17	30,906,000	101	83
June	37,000,000	99	6,334,000	96	17	30,666,000	100	83
July	37,226,000	100	7,295,000	111	19	29,931,000	98	81
August	36,696,000	98	6,557,000	100	18	30,139,000	98	82
September	37,036,000	99	6,410,000	97	17	30,626,000	100	83
October	39,325,000	106	8,319,000	126	21	31,006,000	101	79
November	38,758,000	104	7,902,000	120	20	30,856,000	101	80
December	37,103,000	100	6,507,000	99	17	30,596,000	100	83

TABLE XVIII.—Annual Averages of Total Circulation of United Kingdom, &c.—*continued.* Appendix, No. 14.

1857.

	Total Circulation. Average of Year, £. 37,055,000=100.		Proportion *issued against* Gold. Average of Year, £. 6,306,000=100. 17 per cent.			Proportion *not issued against* Gold. Average of Year, £. 30,749,000=100. 83 per cent.		
	£.		£.		*p'cent.*	£.		*p'cent.*
January	37,370,000	101	6,654,000	106	18	30,716,000	100	82
February	36,572,000	99	6,016,000	95	16	30,556,000	99	84
March	36,517,000	99	5,831,000	92	16	30,686,000	100	84
April	37,690,000	102	6,774,000	107	18	30,916,000	101	82
May	37,262,000	101	6,466,000	103	17	30,796,000	100	83
June	37,048,000	100	6,262,000	99	17	30,786,000	100	83
July	37,048,000	100	6,512,000	103	18	30,536,000	99	82
August	36,130,000	97	5,859,000	93	16	30,271,000	98	84
September	36,209,000	98	5,673,000	90	16	30,536,000	99	84
October	38,522,000	104	7,646,000	121	20	30,876,000	100	80
November	38,386,000	103	7,000,000	111	18	31,386,000	102	82
December	35,903,000	97	4,973,000	79	14	30,930,000	101	86

1858.

	Total Circulation. Average of Year, £. 36,384,000=100.		Proportion *issued against* Gold. Average of Year, £. 7,057,000=100. 19 per cent.			Proportion *not issued against* Gold. Average of Year, £. 29,327,000=100. 81 per cent.		
	£.		£.		*p'cent.*	£.		*p'cent.*
January	35,323,000	97	6,511,000	92	18	28,812,000	98	82
February	35,128,000	96	6,232,000	88	18	28,896,000	99	82
March	35,066,000	96	5,956,000	84	17	29,110,000	99	83
April	36,435,000	150	6,776,000	96	19	29,659,000	101	81
May	36,572,000	100	6,845,000	97	19	29,727,000	101	81
June	36,170,000	99	6,868,000	97	19	29,302,000	100	81
July	36,190,000	99	7,218,000	102	20	28,972,000	99	80
August	35,737,000	98	7,048,000	100	20	28,689,000	98	80
September	36,033,000	99	6,854,000	97	19	29,179,000	99	81
October	38,239,000	105	8,361,000	118	22	29,878,000	102	78
November	38,468,000	105	8,500,000	121	22	29,968,000	102	78
December	37,254,000	102	7,516,000	107	20	29,738,000	101	80

1859.

	Total Circulation. Average of Year, £. 38,775,000=100.		Proportion *issued against* Gold. Average of Year, £. 8,772,000=100. 22 per cent.			Proportion *not issued against* Gold. Average of Year, £. 30,003,000=100. 78 per cent.		
	£.		£.		*p'cent.*	£.		*p'cent.*
January	38,066,000	98	8,168,000	93	21	29,898,000	99	79
February	37,674,000	97	7,836,000	89	21	29,838,000	99	79
March	37,615,000	97	7,677,000	87	20	29,938,000	100	80
April	39,235,000	101	8,977,000	102	23	30,258,000	101	77
May	39,196,000	101	9,128,000	104	23	30,068,000	100	77
June	38,465,000	99	8,597,000	98	22	29,868,000	99	78
July	38,566,000	99	8,698,000	99	22	29,868,000	99	78
August	38,317,000	99	8,586,000	98	22	29,731,000	99	78
September	38,169,000	98	8,241,000	94	22	29,928,000	100	78
October	40,434,000	104	10,116,000	115	25	30,318,000	101	75
November	40,296,000	104	9,978,000	114	25	30,318,000	101	75
December	39,268,000	101	9,260,000	106	24	30,008,000	100	76

Appendix, No. 14.

TABLE XVIII.—Annual Averages of Total Circulation of United Kingdom, &c.—*continued.*

1860.

	Total Circulation. Average of Year, £. 38,766,000 = 100.		Proportion *issued against* Gold. Average of Year, £. 8,774,000 = 100. 22 per cent.			Proportion *not issued against* Gold. Average of Year, £. 29,992,000 = 100. 78 per cent.		
	£.		£.		*p' cent.*	£.		*p' cent.*
January - -	40,076,000	103	9,908,000	113	25	30,168,000	100	75
February -	38,921,000	100	8,993,000	102	23	29,928,000	100	77
March - -	38,240,000	98	8,252,000	94	21	29,988,000	100	79
April - -	39,878,000	102	9,590,000	109	24	30,288,000	101	76
May - -	39,282,000	101	9,114,000	104	23	30,168,000	100	77
June - -	38,444,000	99	8,516,000	97	22	29,928,000	100	78
July - -	38,853,000	100	8,876,000	101	23	29,977,000	100	77
August - -	38,142,000	98	8,460,000	96	22	29,682,000	99	78
September -	37,481,000	97	7,851,000	89	21	29,630,000	99	79
October - -	39,243,000	101	9,015,000	103	23	30,228,000	101	77
November -	38,770,000	100	8,692,000	99	22	30,078,000	100	78
December -	37,868,000	98	8,020,000	91	21	29,848,000	99	79

1861.

	Total Circulation. Average of Year, £. 36,657,000 = 100.		Proportion *issued against* Gold. Average of Year, £. 7,114,000 = 100. 19 per cent.			Proportion *not issued against* Gold. Average of Year, £. 29,543,000 = 100. 81 per cent.		
	£.		£.		*p' cent.*	£.		*p' cent.*
January - -	37,846,000	103	7,908,000	111	21	29,938,000	101	79
February -	36,811,000	100	7,083,000	99	19	29,728,000	101	81
March - -	35,887,000	98	6,189,000	87	17	29,698,000	100	83
April - -	36,948,000	101	6,900,000	97	19	30,048,000	102	81
May - -	36,682,000	100	6,864,000	96	19	29,818,000	101	81
June - -	35,659,000	97	6,580,000	93	18	29,079,000	98	82
July - -	35,691,000	97	7,077,000	99	20	28,614,000	97	80
August - -	35,304,000	96	6,705,000	94	19	28,599,000	97	81
September -	36,440,000	99	7,541,900	106	21	28,899,000	98	79
October - -	37,871,000	103	7,822,000	110	21	30,049,000	102	79
November -	37,938,000	103	7,715,000	108	20	30,223,000	102	80
December -	36,814,000	101	6,981,000	98	19	29,833,000	101	81

1862.

	Total Circulation. Average of Year, £. 36,740,000 = 100.		Proportion *issued against* Gold. Average of Year, £. 7,578,000 = 100. 21 per cent.			Proportion *not issued against* Gold. Average of Year, £. 29,162,000 = 100. 79 per cent.		
	£.		£.		*p' cent.*	£.		*p' cent.*
January - -	37,253,000	101	7,423,000	98	19	29,830,000	102	81
February -	36,593,000	99	7,012,000	92	19	29,581,000	101	81
March - -	35,973,000	98	6,622,000	87	18	29,351,000	101	82
April - -	37,160,000	101	7,543,000	100	20	29,617,000	102	80
May - -	37,212,000	101	7,743,000	102	21	29,469,000	101	79
June - -	36,289,000	99	7,513,000	99	21	28,776,000	99	79
July - -	36,197,000	101	8,657,000	114	23	28,540,000	98	77
August - -	36,749,000	100	8,541,000	113	23	28,208,000	97	77
September -	35,968,000	98	7,548,000	100	21	28,420,000	97	79
October - -	37,582,000	102	8,182,000	108	22	29,400,000	101	78
November -	37,040,000	101	7,448,000	98	20	29,592,000	102	80
December -	35,868,000	98	6,706,000	88	19	29,162,000	100	81

TABLE XVIII.—Annual Averages of Total Circulation of United Kingdom, &c.—*continued.* Appendix, No. 14.

1863.

	Total Circulation. Average of Year, £. 36,316,000 = 100.		Proportion *issued against* Gold. Average of Year, £. 7,468,000 = 100. 20 per cent.			Proportion *not issued against* Gold. Average of Year, £. 28,848,000 = 100. 80 per cent.		
	£.		£.		*p' cent.*	£.		*p' cent.*
January	36,002,000	99	7,015,000	94	19	28,987,000	100	81
February	34,973,000	96	6,175,000	82	17	28,798,000	100	83
March	34,737,000	96	5,973,000	80	17	28,764,000	100	83
April	36,316,000	100	7,170,000	96	20	29,146,000	101	80
May	36,416,000	100	7,429,000	99	20	28,987,000	100	80
June	34,556,000	98	7,253,000	97	20	28,303,000	98	80
July	36,414,000	100	8,139,000	109	22	28,275,000	98	78
August	36,058,000	99	8,027,000	107	22	28,031,000	97	78
September	36,106,000	99	7,737,000	104	21	29,369,000	98	79
October	38,371,000	105	8,902,000	119	23	29,469,000	102	77
November	38,090,000	105	8,395,000	113	22	29,695,000	102	78
December	36,760,000	101	7,401,000	99	20	29,359,000	101	80

1864.

	Total Circulation. Average of Year, £. 36,465,000 = 100.		Proportion *issued against* Gold. Average of Year, £. 7,492,000 = 100. 20 per cent.			Proportion *not issued against* Gold. Average of Year, £. 28,973,000 = 100. 80 per cent.		
	£.		£.		*p' cent.*	£.		*p' cent.*
January	36,684,000	101	7,551,000	101	20	29,133,000	100	80
February	35,865,000	98	6,822,000	91	19	29,043,000	100	81
March	35,647,000	98	6,675,000	89	19	28,972,000	100	81
April	36,972,000	101	7,670,000	102	21	29,302,000	101	79
May	37,453,000	102	8,053,000	107	21	29,400,000	101	79
June	36,361,000	100	7,544,000	101	21	28,817,000	99	79
July	37,145,000	102	8,421,000	112	23	28,724,000	99	77
August	36,305,000	100	7,908,000	105	22	28,397,000	98	78
September	35,683,000	98	7,226,000	96	20	28,457,000	98	80
October	37,288,000	102	8,119,000	109	22	29,169,000	100	78
November	36,543,000	100	7,248,000	97	20	29,295,000	101	80
December	35,634,000	98	6,662,000	89	19	28,972,000	100	81

1865.

	Total Circulation. Average of Year, £. 37,255,000 = 100.		Proportion *issued against* Gold. Average of Year £. 8,222,000 = 100. 22 per cent.			Proportion *not issued against* Gold. Average of Year, £. 29,033,000 = 100. 78 per cent.		
	£.		£.		*p' cent.*	£.		*p' cent.*
January	36,150,000	97	7,390,000	90	20	28,760,000	99	80
February	35,694,000	96	6,861,000	83	19	28,833,000	99	81
March	35,189,000	94	6,457,000	78	18	28,732,000	99	82
April	36,779,000	99	7,714,000	94	21	29,065,000	100	79
May	37,780,000	101	8,581,000	104	23	29,199,000	100	77
June	36,890,000	99	8,089,000	98	22	28,801,000	99	78
July	37,529,000	101	9,202,000	112	24	28,327,000	97	76
August	37,597,000	101	8,954,000	109	24	28,643,000	98	76
September	37,484,000	101	8,386,000	102	22	29,098,000	100	78
October	39,527,000	106	9,664,000	117	24	29,863,000	103	76
November	38,641,000	104	8,988,000	109	23	29,653,000	102	77
December	37,808,000	101	8,375,000	102	22	29,433,000	101	78

Appendix, No. 14.

TABLE XVIII.—Annual Averages of Total Circulation of United Kingdom, &c.—*continued.*

1866.

	Total Circulation. Average of Year, £. 38,641,000 = 100.		Proportion *issued against* Gold. Average of Year, £. 9,959,000 = 100. 26 per cent.			Proportion *not issued against* Gold. Average of Year, £. 28,682,000 = 000. 74 per cent.		
	£.		£.		*p' cent.*	£.		*p' cent.*
January - -	38,128,000	99	8,635,000	87	23	29,493,000	103	77
February -	36,855,000	95	7,716,000	77	21	29,139,000	102	79
March - -	36,498,000	94	7,344,000	74	20	29,154,000	102	80
April - -	38,094,000	99	8,695,000	87	23	29,399,000	102	77
May - -	40,405,000	104	11,425,000	115	28	28,980,000	101	72
June - -	40,020,000	103	12,139,000	122	30	27,881,000	97	70
July - -	39,565,000	102	12,021,000	120	30	27,544,000	96	70
August - -	38,712,000	100	11,169,000	111	29	27,543,000	96	71
September -	37,766,000	98	10,031,000	101	26	27,735,000	97	74
October - -	39,605,000	102	10,666,000	107	27	28,939,000	101	73
November -	39,445,000	102	10,142,000	102	26	29,303,000	102	74
December -	38,609,000	100	9,526,000	96	25	29,083,000	101	75

1867.

	Total Circulation. Average of Year, £. 38,917,000 = 100.		Proportion *issued against* Gold. Average of Year, £. 10,299,000 = 100. 26 per cent.			Proportion *not issued against* Gold. Average of Year, £. 28,618,000 = 100. 74 per cent.		
	£.				*p' cent.*	£.		*p' cent.*
January - -	39,299,000	101	10,007,000	97	25	29,292,000	102	75
February -	38,183,000	98	9,237,000	90	24	28,946,000	101	76
March - -	37,452,000	96	8,723,000	85	23	28,729,000	100	77
April - -	38,744,000	99	9,874,000	96	25	28,870,000	101	75
May - -	38,768,000	99	10,139,000	98	26	28,629,000	100	74
June - -	38,020,000	98	9,997,000	97	26	28,023,000	98	74
July - -	38,738,000	99	10,940,000	106	28	27,798,000	97	72
August - -	38,330,000	99	10,725,000	104	28	27,605,000	96	72
September -	38,146,000	98	10,376,000	101	27	27,770,000	97	72
October - -	40,599,000	104	11,595,000	113	28	29,004,000	101	72
November -	40,607,000	104	11,234,000	109	28	29,373,000	103	72
December -	40,125,000	103	10,742,000	104	27	29,383,000	103	73

1868.

	Total Circulation. Average of Year, £. 39,793,000 = 100.		Proportion *issued against* Gold. Average of Year, £. 10,936,000 = 100. 27 per cent.			Proportion *not issued against* Gold. Average of Year, £. 28,857,000 = 100. 73 per cent.		
	£.		£.		*p' cent.*	£.		*p' cent.*
January - -	40,097,000	101	11,015,000	101	27	29,082,000	101	73
February -	38,967,000	98	10,100,000	92	26	28,867,000	100	74
March - -	38,721,000	97	9,805,000	90	25	28,916,000	100	75
April - -	40,325,000	101	10,934,000	100	27	29,391,000	102	73
May - -	40,241,000	101	11,073,000	101	27	29,168,000	101	73
June - -	39,336,000	99	10,820,000	99	28	28,516,000	99	72
July - -	39,673,000	100	11,444,000	105	29	28,229,000	98	71
August - -	39,074,000	98	11,085,000	101	28	27,989,000	97	72
September -	39,058,000	98	10,655,000	98	27	28,403,000	98	73
October - -	40,906,000	103	11,523,000	105	28	29,383,000	102	72
November -	40,768,000	102	11,515,000	105	28	29,253,000	101	72
December -	40,353,000	101	11,270,000	103	28	29,083,000	101	72

TABLE XVIII.—Annual Averages of Total Circulation of United Kingdom, &c.—*continued.* Appendix, No. 14.

1869.

	Total Circulation. Average of Year, £. 39,854,000 = 100.		Proportion *issued against* Gold. Average of Year, £. 10,781,000 = 100. 27 per cent.			Proportion *not issued against* Gold. Average of Year, £. 29,073,000 = 100. 73 per cent.		
	£.		£.		*p' cent.*	£.		*p' cent.*
January - -	40,581,000	102	11,318,000	105	28	29,263,000	101	72
February -	39,526,000	99	10,373,000	96	26	29,153,000	100	74
March - -	39,299,000	98	10,116,000	94	26	29,183,000	100	74
April - -	40,181,000	101	10,748,000	99	27	29,433,000	101	73
May - -	40,287,000	101	10,974,000	102	27	29,313,000	101	73
June - -	39,018,000	98	10,138,000	94	26	28,880,000	99	74
July - -	39,516,000	99	10,751,000	99	27	28,765,000	99	73
August - -	39,076,000	98	10,535,000	98	27	28,541,000	98	73
September -	38,874,000	97	10,254,000	95	26	28,620,000	99	74
October - -	40,668,000	102	11,275,000	105	28	29,393,000	101	72
November -	40,820,000	102	11,547,000	107	28	29,273,000	101	72
December -	40,403,000	101	11,340,000	105	28	29,063,000	100	72

1870.

	Total Circulation. Average of Year, £. 39,961,000 = 100.		Proportion *issued against* Gold. Average of Year, £. 10,959,000 = 100. 27 per cent.			Proportion *not issued against* Gold. Average of Year. £. 29,002,000 = 100. 73 per cent.		
	£.				*p' cent.*	£.		*p' cent.*
January - -	40,579,000	101	11,166,000	102	27	29,413,000	101	73
February -	39,010,000	98	9,997,000	91	25	29,013,000	100	75
March - -	38,433,000	96	9,440,000	86	24	28,993,000	100	76
April - -	40,120,000	101	10,837,000	99	27	29,283,000	101	73
May - -	40,339,000	101	11,166,000	102	28	29,173,000	101	72
June - -	39,492,000	99	10,609,000	97	27	28,883,000	100	73
July - -	40,167,000	101	11,374,000	104	28	28,793,000	99	72
August - -	39,247,000	98	10,740,000	98	27	28,507,000	98	73
September -	38,847,000	97	10,214,000	93	26	28,633,000	99	74
October - -	41,039,000	103	11,836,000	108	29	29,203,000	101	71
November -	41,383,000	104	12,220,000	111	30	29,163,000	101	70
December -	40,879,000	102	11,906,000	109	29	28,973,000	100	71

1871.

	Total Circulation. Average of Year, £. 42,113,000 = 100.		Proportion *issued against* Gold. Average of Year, £. 12,953,000 = 100. 31 per cent.			Proportion *not issued against* Gold. Average of Year, £. 29,160,000 = 100. 69 per cent.		
	£.		£.		*p' cent.*	£.		*p' cent.*
January - -	41,284,000	98	12,131,000	94	29	29,153,000	100	71
February -	40,594,000	96	11,601,000	90	29	28,993,000	99	71
March - -	40,187,000	95	11,174,000	86	28	29,013,000	99	72
April - -	41,905,000	99	12,552,000	97	30	29,353,000	101	70
May - -	42,299,000	100	13,006,000	100	31	29,293,000	101	69
June - -	41,479,000	98	12,466,000	96	30	29,013,000	100	70
July - -	42,306,000	100	13,253,000	102	31	29,053,000	100	69
August - -	42,233,000	100	13,230,000	102	31	29,003,000	99	69
September -	42,056,000	100	12,953,000	100	31	29,103,000	100	69
October - -	44,262,000	105	14,769,000	114	33	29,493,000	101	67
November -	43,743,000	104	14,420,000	111	33	29,323,000	101	67
December -	43,015,000	102	13,882,000	107	32	29,133,000	100	68

Appendix, No. 14.

TABLE XVIII.—Annual Averages of Total Circulation of United Kingdom, &c.—*continued.*

1872.

	Total Circulation. Average of Year, £. 43,517,000=100.		Proportion *issued against* Gold. Average of Year, £. 14,807,000 = 100. 33 per cent.			Proportion *not issued against* Gold. Average of Year, £. 29,209,000 = 100. 67 per cent.		
	£.		£.		*p'cent.*	£.		*p'cent.*
January - -	43,183,000	99	13,890,000	97	32	29,293,000	100	68
February -	42,179,000	97	13,046,000	91	31	29,133,000	100	69
March - -	41,968,000	96	12,895,000	90	31	29,073,000	99	69
April - -	43,914,000	101	14,441,000	101	33	29,473,000	101	67
May - -	43,975,000	101	14,642,000	102	33	29,333,000	100	67
June - -	43,336,000	100	14,263,000	100	33	29,073,000	99	67
July - -	44,057,003	101	14,924,000	104	34	29,133,000	100	66
August - -	43,671,000	100	14,628,000	102	33	29,043,000	99	67
September -	43,598,000	100	14,445,000	101	33	29,153,000	100	67
October - -	44,887,000	103	15,404,000	108	35	29,483,000	101	65
November -	44,441,000	102	15,188,000	106	34	29,253,000	100	66
December -	42,995,000	99	13,922,000	97	33	29,073,000	100	67

1873.

	Total Circulation. Average of Year, £. 43,346,000=100.		Proportion *issued against* Gold. Average of Year, £. 14,169,000 = 100. 33 per cent.			Proportion *not issued against* Gold. Average of Year, £. 29,177,000 = 100. 67 per cent.		
	£.		£.		*p'cent.*	£.		*p'cent.*
January - -	43,234,000	100	14,001,000	99	33	29,233,000	100	67
February -	42,319,000	98	13,206,000	94	31	29,113,000	100	69
March - -	42,257,000	97	13,164,000	93	31	29,093,000	100	69
April - -	43,976,000	101	14,613,000	103	33	29,363,000	101	67
May - -	44,112,000	102	14,739,000	103	33	29,373,000	101	67
June - -	43,164,000	100	14,141,000	100	33	29,023,000	100	67
July - -	43,121,000	100	14,078,000	99	33	29,043,000	100	67
August - -	42,982,000	99	14,049,000	99	33	28,933,000	99	67
September -	42,654,000	98	13,611,000	96	32	29,043,000	100	68
October - -	44,577,000	103	15,124,000	107	34	29,453,000	101	66
November -	44,485,000	102	15,172,000	107	34	29,313,000	101	66
December -	43,279,000	100	14,136,000	100	33	29,143,000	100	67

1874.

	Total Circulation. Average of Year, £. 43,879,000=100.		Proportion *issued against* Gold. Average of Year, £. 14,848,000 = 100. 34 per cent.			Proportion *not issued against* Gold. Average of Year, £. 29,031,000 = 100. 66 per cent.		
	£.		£.		*p'cent.*	£.		*p'cent.*
January - -	43,579,000	99	14,266,000	96	33	29,313,000	101	67
February -	42,725,000	98	13,572,000	91	32	29,153,000	100	68
March - -	42,553,000	97	13,430,000	90	32	29,123,000	100	68
April - -	44,045,000	100	14,702,000	99	33	29,343,000	101	67
May - -	44,229,000	101	14,996,000	101	34	29,233,000	101	66
June - -	43,804,000	100	14,731,000	99	34	29,073,000	100	66
July - -	43,828,000	100	15,119,000	102	34	28,709,000	99	66
August - -	43,237,000	99	14,758,000	99	34	28,479,000	98	66
September -	43,132,000	98	14,513,000	98	34	28,619,000	99	66
October - -	45,550,000	104	16,277,000	109	36	29,273,000	101	64
November -	45,808,000	104	16,675,000	112	36	29,133,000	100	64
December -	44,068,000	100	15,145,000	102	34	28,923,000	100	66

TABLE XIX.—AVERAGES of the TOTAL NOTE CIRCULATION of the *United Kingdom*, showing the Proportion *issued against* Gold, the Proportion *not issued against* Gold, and the Fluctuations in the same for the Ten Years, 1845 to 1854; 1855 to 1864; 1865 to 1874, and the Thirty Years, 1845 to 1874.

TEN YEARS, 1845 to 1854.

	Total Circulation of the United Kingdom. Average of Ten Years, £.35,764,400=100.		Proportion of Notes *issued against* Gold. Average of Ten Years, £.6,581,466=100. 18 per cent.			Proportion of Notes *not issued against* Gold. Average of Ten Years, £.29,183,016=100. 82 per cent.		
	£.		£.		*Per cent.*	£.		*Per cent.*
January	36,408,000	102	6,951,500	106	19	29,456,500	101	81
February	35,702,000	100	6,343,100	96	18	29,358,900	101	82
March	35,083,200	98	5,825,500	89	17	29,257,700	100	83
April	36,434,000	102	6,817,200	103	19	29,616,800	102	81
May	36,130,100	101	6,707,900	102	19	29,422,200	101	81
June	35,168,600	98	6,259,000	95	18	28,909,600	99	82
July	35,756,700	100	7,018,800	107	20	28,738,900	99	80
August	35,109,700	98	6,617,200	100	19	28,492,500	98	81
September	34,587,800	96	5,963,000	90	17	28,624,800	98	83
October	36,611,900	102	7,109,200	108	20	29,502,700	101	80
November	36,667,400	102	7,093,300	108	19	29,574,100	101	81
December	35,513,400	99	6,271,900	95	18	29,241,500	100	82

TEN YEARS, 1855 to 1864.

	Total Circulation of the United Kingdom. Average of Ten Years, £.37,166,850=100.		Proportion of Notes *issued against* Gold. Average of Ten Years, £.7,425,041=100. 20 per cent.			Proportion of Notes *not issued against* Gold. Average of Ten Years, £.29,741,808=100. 80 per cent.		
	£.		£.		*Per cent.*	£.		*Per cent.*
January	37,378,000	100	7,489,100	101	20	29,888,900	100	80
February	36,573,900	98	6,855,400	92	19	29,718,500	100	81
March	36,201,400	98	6,451,000	87	18	29,750,400	100	82
April	37,538,500	101	7,456,400	100	20	30,082,100	101	80
May	37,431,900	101	7,454,100	100	20	29,977,800	101	80
June	36,785,900	99	7,244,500	98	20	29,541,400	99	80
July	37,177,900	100	7,872,200	106	21	29,305,700	99	79
August	36,603,200	98	7,503,400	101	21	29,099,800	98	79
September	36,549,900	98	7,193,100	97	20	29,356,800	99	80
October	38,563,300	104	8,456,900	114	22	30,106,400	101	78
November	38,248,400	103	8,053,200	108	21	30,195,200	101	79
December	36,949,900	99	7,071,200	95	19	29,878,700	100	81

TEN YEARS, 1865 to 1874.

	Total Circulation of the United Kingdom. Average of Ten Years, £.40,728,075=100.		Proportion of Notes *issued against* Gold. Average of Ten Years, £.11,743,400=100. 29 per cent.			Proportion of Notes *not issued against* Gold. Average of Ten Years, £.28,984,533=100. 71 per cent.		
	£.		£.		*Per cent.*	£.		*Per cent.*
January	40,611,400	100	11,381,900	97	28	29,229,500	101	72
February	39,605,200	98	10,570,900	90	27	29,034,300	100	73
March	39,255,700	97	10,254,800	87	26	29,000,900	100	74
April	40,808,300	100	11,511,000	98	28	29,297,300	101	72
May	41,243,500	101	12,074,100	103	29	29,169,400	100	71
June	40,455,900	100	11,739,300	100	29	28,715,600	99	71
July	40,850,000	101	12,310,600	105	30	28,539,400	98	70
August	40,415,900	100	11,987,300	102	30	28,428,600	98	70
September	40,161,500	99	11,543,800	99	28	28,617,700	99	72
October	42,162,000	104	12,813,300	109	30	29,348,700	101	70
November	42,014,100	104	12,710,100	108	30	29,304,000	101	70
December	41,153,400	101	12,024,400	102	29	29,129,000	100	71

THIRTY YEARS, 1845 to 1874.

	Total Circulation of the United Kingdom. Average of Thirty Years, £.37,886,500=100.		Proportion of Notes *issued against* Gold. Average of Thirty Years, £.8,583,320=100. 23 per cent.			Proportion of Notes *not issued against* Gold. Average of Thirty Years, £.29,303,000=100. 77 per cent.		
	£.		£.		*Per cent.*	£.		*Per cent.*
January	38,132,400	101	8,607,500	100	23	29,524,600	101	77
February	37,293,700	99	7,923,100	92	21	29,370,500	100	79
March	36,847,000	97	7,510,400	87	20	29,336,300	100	80
April	38,260,200	101	8,594,800	100	22	29,665,400	101	78
May	38,268,500	101	8,745,300	102	23	29,523,100	101	77
June	37,470,100	99	8,414,200	98	23	29,055,500	99	77
July	37,928,200	100	9,067,200	106	24	28,861,000	98	76
August	37,377,600	99	8,702,600	101	23	28,673,000	98	77
September	37,099,700	98	8,233,300	96	22	28,866,400	98	78
October	39,112,400	103	9,459,800	110	22	29,652,600	101	76
November	38,976,600	103	9,285,500	108	24	29,691,100	101	76
December	37,872,200	100	8,455,800	98	22	29,416,400	100	78

TABLE XX.—Bank Note Circulation of the *United Kingdom*, 1844 to 1874.

Annual Averages of Circulation of Notes of the Bank of England, showing the Provincial Circulation, the Metropolitan Circulation, and the Total Circulation of the Notes of the Bank, also the Proportion of the Circulation in each Year to that in 1844. Cols. 2 to 4.

Annual Averages of Circulation of Notes of the Private and Joint Stock Banks of *England* and *Wales*, the Proportion of the Circulation in each Year to that in 1844, in Cols. 5 to 7.

1.	2.	3.	4.	5.	6.	7.
YEAR.	BANK OF ENGLAND.			YEAR.	PRIVATE AND JOINT STOCK BANKS.		
	Branches.	1844=100.	London.	1844=100.	TOTAL.	1844=100.		Private.	1844=100.	Joint Stock.	1844=100.	TOTAL.	1844=100.
	£.		£.		£.			£.		£.		£.	
1844	6,510,000	100	13,740,000	100	20,250,000	100	1844	4,780,000	100	3,390,000	100	8,170,000	100
1845	7,130,000	109	13,544,000	99	20,674,000	102	1845	4,520,000	95	3,190,000	94	7,710,000	94
1846	6,770,000	104	13,482,000	98	20,252,000	100	1846	4,560,000	95	3,170,000	94	7,730,000	94
1847	6,530,000	101	12,593,000	92	19,123,000	94	1847	4,470,000	95	2,890,000	91	7,360,000	93
1848	5,830,000	90	12,256,000	89	18,086,000	89	1848	3,680,000	77	2,600,000	77	6,280,000	77
1849	5,900,000	91	12,538,000	91	18,438,000	91	1849	3,580,000	75	2,630,000	78	6,210 000	76
1850	6,260,000	96	13,188,000	96	19,448,000	96	1850	3,590,000	75	2,740,000	81	6,330,000	77
1851	6,420,000	99	13,040,000	95	19,460,000	96	1851	3,470,000	72	2,740,000	81	6,210,000	76
1852	6,940,000	107	14,970,000	109	21,910,000	108	1852	3,550,000	74	2,860,000	84	6,410,000	78
1853	7,810,000	120	14,792,000	108	22,602,000	112	1853	3,800,000	79	3,040,000	90	6,840,000	84
1854	7,380,000	113	13,308,000	97	20,688,000	102	1854	3,800,000	79	3,030,000	89	6,830,000	83
1855	7,040,000	108	12,790,000	93	19,830,000	98	1855	3,850,000	80	3,050,000	90	6,900,000	84
1856	6,970,000	107	12,697,000	92	19,667,000	97	1856	3,750,000	78	3,040,000	90	6,790,000	83
1857	7,000,000	108	12,467,000	91	19,467,000	96	1857	3,630,000	76	3,010,000	89	6,640,000	81
1858	6,880,000	106	13,368,000	97	20,248,000	100	1858	3,240,000	68	2,750,000	81	5,990,000	73
1859	7,660,000	118	13,666,000	99	21,326,000	106	1859	3,440,000	72	2,990,000	88	6,430,000	79
1860	7,910,000	121	13,342,000	97	21,252,000	105	1860	3,450,000	72	3,000,000	80	6,450,000	79
1861	7,390,000	113	12,602,000	92	19,992,000	99	1861	3,240,000	68	2,890,000	85	6,130,000	75
1862	7,480,000	115	13,355,000	97	20,835,000	103	1862	3,230,000	67	2,890,000	85	6,120,000	75
1863	7,440,000	114	13,224,000	96	20,664,000	102	1863	3,160,000	66	2,880,000	85	6,040,000	74
1864	7,570,000	116	13,035,000	95	20,605,000	102	1864	3,120,000	65	2,850,000	84	5,970,000	73
1865	7,720,000	119	13,397,000	97	21,117,000	105	1865	2,950,000	62	2,840,000	84	5,790,000	71
1866	8,480,000	130	14,679,000	107	23,159,000	114	1866	2,770,000	58	2,380,000	70	5,150,000	63
1867	8,610,000	132	14,828,000	108	23,438,000	116	1867	2,800,000	58	2,300,000	68	5,100,000	62
1868	8,990,000	138	14,942,000	109	23,932,000	118	1868	2,750,000	57	2,300,000	68	5,050,000	62
1869	8,860,000	136	14,623,000	107	23,483,000	116	1869	2,730,000	57	2,320,000	68	5,050,000	62
1870	8,830,000	136	14,497,000	106	23,327,000	115	1870	2,610,000	54	2,300,000	68	4,910,000	60
1871	9,320,000	143	15,096,000	110	24,416,000	121	1871	2,680,000	56	2,370,000	70	5,050,000	62
1872	9,880,000	152	15,612,000	114	25,492,000	126	1872	2,710,000	56	2,390,000	70	5,100,000	62
1873	9,990,000	153	15,655,000	114	25,645,000	127	1873	2,670,000	56	2,400,000	71	5,070,000	62
1874	10,160,000	156	16,104,000	117	26,264,000	130	1874	2,620,000	54	2,360,000	70	4,980,000	61

ANNUAL AVERAGE of the TOTAL NOTE CIRCULATION of *England* and *Wales*, of *Scotland*, and of *Ireland*, in Cols. 8 to 10; also the Proportion of the Circulation in each Year to that in 1844.

YEAR.	8. Total of England and Wales.	1844=100.	9. Total of Scotland.	1844=100.	10. Total of Ireland.	1844=100.
	£.		£.		£.	
1844 - -	28,420,000	100	3,020,000	100	5,940,000	100
1845 - -	28,384,000	100	3,294,000	109	6,949,000	117
1846 - -	27,982,000	98	3,405,000	113	7,260,000	122
1847 - -	26,483,000	93	3,551,000	117	6,009,000	101
1848 - -	24,366,000	86	3,176,000	105	4,829,000	81
1849 - -	24,648,000	87	3,134,000	104	4,310,000	72
1850 - -	25,778,000	91	3,225,000	107	4,512,000	76
1851 - -	25,670,000	90	3,243,000	107	4,463,000	75
1852 - -	28,320,000	100	3,404,000	113	4,818,000	81
1853 - -	29,442,000	103	3,789,000	125	5,650,000	95
1854 - -	27,518,000	97	4,055,000	134	6,296,000	106
1855 - -	26,730,000	94	4,105,000	136	6,362,000	107
1856 - -	26,457,000	93	4,093,000	135	6,652,000	112
1857 - -	26,107,000	92	4,080,000	135	6,822,000	115
1858 - -	26,238,000	92	3,926,000	130	6,183,000	104
1859 - -	27,756,000	98	4,111,000	136	6,870,000	116
1860 - -	27,702,000	97	4,228,000	140	6,840,000	115
1861 - -	26,122,000	92	4,197,000	139	6,266,000	106
1862 - -	26,955,000	95	4,153,000	137	5,638,000	95
1863 - -	26,704,000	94	4,204,000	139	5,405,000	91
1864 - -	26,575,000	93	4,262,000	141	5,594,000	94
1865 - -	26,907,000	95	4,383,000	145	5,987,000	101
1866 - -	28,309,000	100	4,440,000	147	5,884,000	99
1867 - -	28,538,000	101	4,566,000	151	5,811,000	98
1868 - -	28,982,000	102	4,609,000	152	6,181,000	104
1869 - -	28,533,000	100	4,730,000	157	6,608,000	111
1870 - -	28,237,000	99	4,933,000	163	6,880,000	116
1871 - -	29,466,000	104	5,178,000	172	7,544,000	127
1872 - -	30,592,000	107	5,332,000	176	7,674,000	129
1873 - -	30,715,000	108	5,634,000	186	7,077,000	119
1874 - -	31,244,000	110	5,900,000	195	6,768,000	114

The Position of the SCOTCH and IRISH CIRCULATIONS, and the Amount of their Excess over the Limit fixed by the Act of 1845, in Cols. 12, 13, and 14. The Annual Averages of the Total Note Circulation of the *United Kingdom* in Col. 11; also the Proportions of the Circulation in each Year to that in 1844.

YEAR.	11. Total United Kingdom.	1844=100.	12. Scotch, over Limit, 1845.	13. Irish, over or below Limit, 1845.	14. Scotch or Irish, or both, above Limit, 1845.
	£.		£.	£.	£.
1844 - -	37,380,000	100	—	—	—
1845 - -	38,627,000	103	207,000	+ 595,000	802,000
1846 - -	38,647,000	103	318,000	+ 906,000	1,224,000
1847 - -	36,043,000	97	464,000	- 345,000	464,000
1848 - -	32,371,000	86	89,000	- 1,525,000	89,000
1849 - -	32,092,000	86	47,000	- 2,044,000	47,000
1850 - -	33,515,000	90	138,000	- 1,842,000	138,000
1851 - -	33,376,000	89	156,000	- 1,891,000	156,000
1852 - -	36,542,000	98	317,000	- 1,536,000	317,000
1853 - -	38,881,000	104	702,000	- 704,000	702,000
1854 - -	37,869,000	101	968,000	- 58,000	968,000
1855 - -	37,197,000	99	1,018,000	+ 8,000	1,026,000
1856 - -	37,202,000	100	1,006,000	+ 298,000	1,304,000
1857 - -	37,009,000	99	993,000	+ 468,000	1,461,000
1858 - -	36,347,000	97	1,177,000	- 171,000	1,177,000
1859 - -	38,737,000	104	1,362,000	+ 516,000	1,878,000
1860 - -	38,770,000	104	1,479,000	+ 486,000	1,965,000
1861 - -	36,585,000	98	1,448,000	- 88,000	1,448,000
1862 - -	36,746,000	98	1,404,000	- 716,000	1,404,000
1863 - -	36,313,000	97	1,455,000	- 949,000	1,455,000
1864 - -	36,431,000	97	1,513,000	- 760,000	1,513,000
1865 - -	37,277,000	100	1,634,000	- 367,000	1,634,000
1866 - -	38,633,000	103	1,691,000	- 470,000	1,691,000
1867 - -	38,915,000	104	1,817,000	- 543,000	1,817,000
1868 - -	39,772,000	106	1,860,000	- 173,000	1,860,000
1869 - -	39,871,000	107	1,981,000	+ 254,000	2,235,000
1870 - -	40,050,000	107	2,184,000	+ 526,000	2,710,000
1871 - -	42,188,000	113	2,429,000	+ 190,000	2,619,000
1872 - -	43,598,000	117	2,583,000	+ 1,320,000	3,903,000
1873 - -	43,426,000	116	2,885,000	+ 723,000	3,608,000
1874 - -	43,912,000	117	3,151,000	+ 414,000	3,565,000

TABLE XX.—BANK NOTE CIRCULATION of the *United Kingdom*, 1844 to 1874—*continued.*

The ANNUAL AVERAGES of the Amounts of Circulation of the *United Kingdom issued against* Gold, and the Amounts *not issued against* Gold, Cols. 15 and 16; also, the Proportions of the same to their Amounts in 1844, and the Percentage each Proportion bears to the Total Annual Average Circulation.

The Positions of the SCOTCH and IRISH CIRCULATIONS, and the Amount of their Excess over the Limit, in Cols. 19, 20, and 21. The Bank Average Rate of Discount, and the Number of Changes in Rate, in Cols. 22 and 23. Average Banking Reserve of the Bank of England, in Col. 24.

YEAR.	15. Amounts of Circulation Issued against Gold 1844 = 100.	Proportion of Circulation Issued against Gold to that in 1844. 1844 = 100.	Per-centage of Circulation Issued against Gold.	16. Amounts of Circulation *not* Issued against Gold, 1844 = 100.	Circulation *not* Issued against Gold to that in 1844.	Per-centage of Circulation not Issued against by Gold.
	£.			£.		
1844	6,250,000	100	17	31,130,000	100	83
1845	7,336,000	117	19	31,312,000	100	81
1846	7,482,000	121	19	31,169,000	100	81
1847	5,767,000	96	16	30,161,000	97	84
1848	4,228,000	68	13	28,128,000	90	87
1849	4,512,000	73	14	27,537,000	88	86
1850	5,584,000	90	17	27,873,000	89	83
1851	5,612,000	90	17	27,731,000	88	83
1852	8,140,000	131	22	28,283,000	91	78
1853	9,304,000	149	24	29,548,000	95	76
1854	7,848,000	126	21	30,087,000	97	79
1855	7,100,000	113	19	30,154,000	97	81
1856	6,590,000	105	18	30,663,000	98	82
1857	6,306,000	100	17	30,749,000	99	83
1858	7,057,000	112	19	29,327,000	94	81
1859	8,772,000	140	22	30,003,000	96	78
1860	8,774,000	140	22	29,992,000	96	78
1861	7,114,000	113	19	29,543,000	95	81
1862	7,578,000	121	21	29,162,000	93	79
1863	7,468,000	119	20	28,848,000	92	80
1864	7,492,000	119	20	28,973,000	93	80
1865	8,222,000	132	22	29,033,000	93	78
1866	9,959,000	159	26	28,682,000	92	74
1867	10,299,000	164	26	28,593,000	92	74
1868	10,936,000	175	27	28,857,000	93	73
1869	10,781,000	172	27	29,073,000	93	73
1870	10,959,000	175	27	29,022,000	93	73
1871	12,953,000	207	31	29,160,000	93	69
1872	14,307,000	230	33	29,209,000	93	67
1873	14,169,000	227	33	29,177,000	94	67
1874	14,848,000	237	34	29,031,000	94	66

YEAR.	17. Bank Average Rate of Discount.	18. Number of Changes in Bank Rate.	19. Average Banking Reserve of the Bank of England.	Average Banking Reserve 1844 = 100.
			£.	
1844	2½	1	8,500,000	100
1845	3	2	8,516,000	100
1846	3¼	1	3,539,000	101
1847	5	9	5,291,000	62
1848	3¾	3	9,785,000	115
1849	3	1	10,694,000	126
1850	2½	1	11,220,000	132
1851	3	—	9,104,000	107
1852	2	2	12,765,000	150
1853	3½	6	8,908,000	105
1854	5	2	7,290,000	86
1855	4¾	8	8,366,000	98
1856	5¾	8	5,772,000	68
1857	6¾	9	5,348,000	63
1858	3½	6	12,037,000	142
1859	2¾	5	11,076,000	130
1860	4¼	11	8,451,000	99
1861	5½	11	7,611,000	89
1862	2½	5	10,194,000	120
1863	4½	12	8,536,000	101
1864	7½	15	7,479,000	88
1865	4¾	16	8,090,000	95
1866	7	14	6,745,000	79
1867	2½	3	12,906,000	152
1868	2	2	11,903,000	140
1869	3½	7	10,320,000	121
1870	3	10	12,435,000	146
1871	3	10	14,163,000	166
1872	4½	14	12,122,000	142
1873	4¾	24	12,051,000	141
1874	2½	12	11,936,000	140

TABLE XXI.—Monthly Averages of Liabilities and Reserve of Bank of England from 1845 to 1874, showing the Proportion of Reserve to the Liabilities.

1845.

—	Liabilities. Average of Year 16,367,500 *l.*	Average Liabilities of Year = 100.	Reserve. Average of Year 8,516,583 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 52 per Cent.
	£.		£.		
January -	13,989,000	85	8,400,000	99	60
February	14,734,000	90	8,991,000	106	61
March -	17,769,000	109	10,219,000	120	57
April -	16,526,000	101	8,958,000	105	54
May -	15,574,000	95	9,294,000	109	60
June -	17,890,000	109	10,352,000	122	58
July -	15,984,000	98	8,814,000	103	55
August -	15,297,000	93	8,323,000	98	54
September	16,957,000	103	8,795,000	103	52
October -	16,523,000	101	6,767,000	79	41
November	16,397,000	100	6,182,000	73	38
December	18,770,000	115	7,104,000	83	38

1846.

—	Liabilities. Average of Year 20,262,416 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 8,539,416 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 42 per Cent.
	£.		£.		
January -	18,927,000	93	6,243,000	73	33
February	25,184,000	124	7,390,000	87	29
March -	25,274,000	125	8,462,000	99	34
April -	22,644,000	112	7,371,000	86	33
May -	21,201,000	104	7,986,000	94	38
June -	23,146,000	114	9,906,000	117	43
July -	20,229,000	100	9,229,000	108	46
August -	17,894,000	88	9,619,000	113	54
September	17,721,000	87	10,201,000	119	58
October -	16,480,000	81	8,186,000	96	50
November	16,168,000	80	8,491,000	100	53
December	18,281,000	90	9,389,000	110	51

1847.

—	Liabilities. Average of Year 15,973,250 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 5,291,583 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 33 per Cent.
	£.		£.		
January -	16,566,000	103	7,387,000	140	45
February-	15,486,000	97	6,673,000	126	43
March -	16,972,000	106	6,067,000	114	36
April -	15,082,000	94	3,581,000	68	24
May -	14,072,000	88	4,587,000	87	32
June -	17,774,000	111	6,263,000	118	35
July -	15,052,000	94	5,033,000	95	33
August -	14,654,000	91	4,803,000	91	33
September	16,455,000	103	4,869,000	92	30
October -	16,011,000	100	2,780,000	53	17
November	15,683,000	98	3,956,000	75	25
December	17,792,000	111	7,500,000	142	42

1848.

—	Liabilities. Average of Year 15,963,333 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 9,784,583 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 61 per Cent.
	£.		£.		
January -	16,593,000	104	8,107,000	83	49
February	16,378,000	103	9,859,000	101	60
March -	17,303,000	108	11,286,000	115	65
April -	16,098,000	101	9,563,000	98	59
May - -	14,433,000	90	8,988,000	92	62
June -	15,914,000	100	10,400,000	106	65
July -	15,628,000	98	9,557,000	98	61
August -	14,297,000	89	9,086,000	93	63
September	15,731,000	99	10,010,000	102	63
October -	15,393,000	96	9,038,000	92	59
November	15,842,000	99	9,820,000	100	62
December	17,950,000	112	11,701,000	120	65

1849.

—	Liabilities. Average of Year 17,211,583 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 10,694,250 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 62 per Cent.
	£.		£.		
January -	17,066,000	99	10,807,000	101	63
February	16,808,000	97	10,885,000	102	65
March -	17,830,000	103	11,346,000	106	64
April -	16,574,000	96	9,749,000	91	59
May -	15,893,000	92	9,495,000	89	60
June -	17,217,000	100	10,818,000	101	63
July -	15,890,000	92	9,546,000	89	60
August -	15,954,000	93	9,753,000	91	61
September	17,809,000	103	11,013,000	103	62
October -	17,497,000	102	10,472,000	98	60
November	17,846,000	104	11,559,000	108	65
December	20,155,000	117	12,888,000	120	64

1850.

—	Liabilities. Average of Year 18,822,083 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 11,219,750 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 60 per Cent.
	£.		£.		
January -	18,710,000	99	11,763,000	105	63
February	17,920,000	95	11,688,000	104	65
March -	19,698,000	104	12,195,000	109	62
April -	17,733,000	94	10,729,000	95	60
May -	17,367,000	92	10,988,000	98	63
June -	19,185,000	102	11,695,000	104	61
July -	17,911,000	95	10,601,000	94	59
August -	17,948,000	96	10,822,000	96	60
September	20,112,000	107	11,600,000	103	58
October -	18,888,000	100	10,504,000	93	56
November	19,402,000	103	11,045,000	98	57
December	20,991,000	111	11,007,000	98	52

TABLE XXI.—Monthly Averages of Liabilities and Reserve of Bank of England from 1845 to 1874, &c.—*continued.*

1851.

——	Liabilities. Average of Year 17,638,583 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 9,103,833 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 51 per Cent.
	£.		£.		
January -	18,854,000	107	9,017,000	99	48
February	17,551,000	99	9,276,000	102	53
March -	18,671,000	106	9,498,000	104	51
April -	16,534,000	94	7,850,000	86	47
May -	16,181,000	92	8,093,000	89	50
June -	18,167,000	103	9,029,000	99	50
July -	16,007,000	91	7,755,000	85	48
August -	16,241,000	92	8,105,000	89	50
September	18,438,000	104	9,456,000	104	51
October -	18,251,000	103	8,981,000	99	49
November	17,411,000	99	9,929,000	109	57
December	19,357,000	110	12,257,000	135	63

1852.

——	Liabilities. Average of Year 20,149,000 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 12,764,500 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 63 per Cent.
	£.		£.		
January -	18,497,000	92	11,401,000	89	61
February	19,112,000	95	12,324,000	97	65
March -	20,598,000	102	13,510,000	106	66
April -	19,238,000	95	12,135,000	95	63
May -	19,403.000	96	12,691,000	99	65
June -	21,060,000	104	13,938,000	109	66
July -	20,118,000	100	12,823,000	100	64
August -	19,716,000	98	12,953,000	101	66
September	21,151,000	105	13,765,000	108	65
October -	20,357,000	101	12,443,000	97	61
November	20,204,000	100	12,318,000	96	61
December	22,334,000	111	12,873,000	101	58

1853.

——	Liabilities. Average of Year 19,543,166 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 8,907,750 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 46 per Cent.
	£.		£.		
January -	21,047,000	108	10,271,000	115	49
February	20,066,000	103	10,135,000	113	50
March -	24,059,000	123	11,238,000	126	47
April -	19,771,000	101	9,725,000	109	49
May -	18,579,000	95	9,146,000	102	49
June -	19,079,000	97	9,550,000	107	50
July -	17,683,000	90	8,577,000	96	49
August -	16,998,000	87	8,119,000	91	48
September	18,051,000	92	7,806.000	88	43
October -	18,375,000	94	6,090,000	68	33
November	18,602,000	95	7,675,000	86	41
December	22,208,000	114	8,561,000	96	38

1854.

——	Liabilities Average of Year 15,740,833 *l*	Average Liabilities of Year =100.	Reserve. Average of Year 7,290,333 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 46 per Cent.
	£.		£.		
January -	18,954,000	120	8,077,000	111	43
February	15,673,000	99	8,237,000	113	53
March -	15,686,000	99	8,040,000	110	51
April -	15,903,000	101	5,445,000	75	34
May -	14,082,000	89	5,548,000	76	39
June -	14,729,000	93	7,072,000	97	48
July -	16,265,000	103	7,341,000	101	45
August -	14,639,000	93	7,390,000	101	51
September	15,857,000	100	7,588,000	104	48
October -	15,066,000	95	6,629,000	91	44
November	15,144,000	96	7,459,000	102	49
December	16,892,000	107	8,658,000	119	51

1855.

——	Liabilities. Average of Year 17,698,583 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 8,366,583 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 47 per Cent.
	£.		£.		
January -	15,120,000	85	6,774,000	81	45
February	15,727,000	89	7,480,000	89	48
March -	17,052,000	96	9,109,000	109	53
April -	18,306,000	103	8,954,000	107	49
May -	17,192,000	97	10,512,000	125	61
June -	20,063,000	113	12,273,000	147	61
July -	18,708,000	105	10,193,000	122	54
August -	18,813,000	106	9,662,000	115	51
September	20,023,000	113	7,904,000	95	39
October -	17,193,000	97	5,204,000	62	30
November	16,253,000	92	5,650,000	67	35
December	17,933,000	101	6,684,000	80	37

1856.

——	Liabilities. Average of Year 16,864,500 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 5,772,083 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 34 per Cent.
	£.		£.		
January -	18,149,000	108	5,667,000	98	31
February	18,613,000	110	6,284,000	109	34
March -	18,807,000	111	6,290,000	109	33
April -	16,624,000	99	4,565,000	79	27
May -	15,415,000	91	5,023,000	87	33
June -	15,432,000	92	7,372,000	127	48
July -	15,893,000	94	6,378,000	110	40
August -	15,704,000	93	6,770,000	117	43
September	18,046,000	107	6,594,000	114	36
October -	17,135,000	102	3,781,000	65	22
November	15,607,000	92	4,352,000	75	28
December	16,949,000	100	6,189,000	107	36

1857.

——	Liabilities. Average of Year 17,828,833 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 5,347,750 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 30 per Cent.
	£.		£.		
January -	16,157,000	90	5,327,000	100	33
February	17,802,000	100	6,001,000	112	34
March -	19,350,000	108	5,958,000	111	31
April -	16,815,000	94	4,164,000	78	25
May -	15,927,000	89	4,992,000	93	31
June -	17,782,000	100	6,537,000	122	37
July -	15,797,000	88	6,384,000	120	40
August -	16,811,000	94	6,314,000	118	37
September	17,784,000	100	6,728,000	126	38
October -	17,481,000	98	4,118,000	77	23
November	19,639,000	110	2.030,000	38	10
December	22,601,000	127	5,619,000	105	25

1858.

——	Liabilities. Average of Year 20,847,833 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 12,037,416 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 58 per Cent.
	£.		£.		
January -	22,615,000	108	8,719,000	72	38
February	21,390,000	102	11,596,000	96	54
March -	21,308,000	102	13,004,000	108	61
April -	20,714,000	99	12,555,000	104	60
May -	19.536,000	94	12,147,000	101	62
June -	20,765,000	100	12,648,000	105	61
July -	19,940,000	96	11,086,000	92	55
August -	19,482,000	93	11,345,000	94	58
September	20,892,000	100	12,920,000	107	62
October -	20,618,000	99	12,722,000	106	62
November	20,255,000	97	12,247,000	102	61
December	22,659,000	108	13,460,000	112	60

TABLE XXI.—Monthly Averages of Liabilities and Reserve of Bank of England from 1845 to 1874, &c.—*continued.*

1859.

—	Liabilities. Average of Year 22,530,833 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 11,076,175 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 49 per Cent.
	£.		£.		
January -	22,654,000	100	12,737,000	115	56
February	22,792,000	101	13,477,000	122	59
March -	23,245,000	103	13,786,000	125	59
April -	21,973,000	98	10,959,000	99	50
May -	22,969,000	102	10,015,000	91	44
June -	23,920,000	106	11,602,000	105	48
July -	21,852,000	97	10,500,000	95	48
August -	21,200,000	94	9,641,000	87	46
September	22,562,000	100	10,431,000	94	46
October -	21,922,000	97	9,416,000	85	43
November	21,925,000	97	9,781,000	89	45
December	23,356,000	104	10,569,000	96	45

1860.

—	Liabilities. Average of Year 20,893,333 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 8,451,083 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 40 per Cent.
	£.		£.		
January -	21,658,000	104	8,673,000	103	40
February	21,604,000	103	8,452,000	100	39
March -	23,385,000	112	9,142,000	108	39
April -	22,278,000	107	6,991,000	83	32
May -	20,762,000	99	8,304,000	98	40
June -	21,474,000	103	9,771,000	116	45
July -	20,477,000	98	8,597,000	102	42
August -	19,948,000	96	8,514,000	101	43
September	20,845,000	100	9,756,000	115	47
October -	19,167,000	92	7,755,000	92	41
November	19,536,000	93	7,541,000	89	38
December	19,586,000	94	7,917,000	94	40

1861.

—	Liabilities. Average of Year 18,481,333 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 7,611,333 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 41 per Cent.
	£.		£.		
January -	18,488,000	100	6,146,000	81	33
February	17,614,000	95	6,700,000	88	38
March -	19,481,000	105	7,814,000	103	40
April -	18,784,000	102	7,488,000	98	40
May -	18,595,000	101	6,982,000	92	38
June -	19,352,000	105	7,323,000	96	38
July -	17,607,000	95	6,241,000	82	35
August -	16,978,000	92	7,332,000	96	43
September	17,948,000	97	8,412,000	111	47
October -	18,655,000	101	7,775,000	102	42
November	18,367,000	99	8,710,000	114	47
December	19,907,000	108	10,413,000	137	52

1862.

—	Liabilities. Average of Year 22,414,175 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 10,194,416 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 45 per Cent.
	£.		£.		
January -	21,271,000	95	10,308,000	101	48
February	21,075,000	94	10,201,000	100	48
March -	21,817,000	97	10,762,000	105	49
April -	22,229,000	99	10,461,000	103	47
May -	22,034,000	98	10,472,000	103	47
June -	22,653,000	101	9,423,000	92	42
July -	23,453,000	105	10,106,000	99	43
August -	22,554,000	101	10,428,000	102	46
September	23,610,000	105	11,179,000	109	47
October -	22,692,000	101	9,473,000	93	42
November	22,216,000	99	9,463,000	93	43
December	23,366,000	104	10,057,000	98	43

1863.

—	Liabilities. Average of Year 21,946,666 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 8,536,333 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 39 per Cent.
	£.		£.		
January -	21,712,000	103	8,483,000	99	37
February	21,065,000	96	9,311,000	109	44
March -	22,785,000	104	9,758,000	114	43
April -	22,070,000	101	9,175,000	108	41
May -	21,651,000	99	8,738,000	102	40
June -	24,071,000	109	9,088,000	106	38
July -	23,090,000	105	8,095,000	95	35
August -	20,021,000	91	8,406,000	98	42
September	21,540,000	98	9,019,000	106	42
October -	21,384,000	97	7,316,000	86	34
November	20,169,000	92	6,895,000	81	34
December	22,802,000	104	8,152,000	96	36

1864.

—	Liabilities. Average of Year 20,600,750 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 7,478,583 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 37 per Cent.
	£.		£.		
January -	21,366,000	104	7,476,000	100	35
February	20,869,000	101	8,059,000	108	39
March -	22,453,000	109	8,668,000	116	39
April -	20,776,000	101	6,562,000	88	31
May -	20,717,000	100	6,765,000	91	33
June -	22,113,000	107	8,403,000	113	38
July -	20,377,000	99	6,528,000	87	32
August -	19,550,000	95	5,944,000	79	30
September	19,872,000	96	7,241,000	97	36
October -	19,028,000	92	6,497,000	87	34
November	19,669,000	95	8,233,000	110	42
December	20,419,000	99	9,367,000	126	46

1865.

—	Liabilities. Average of Year 21,200,250 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 8,089,750 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 38 per Cent.
	£.		£.		
January -	20,808,000	98	8,315,000	103	40
February	20,813,000	98	9,080,000	112	44
March -	22,844,000	108	9,885,000	122	43
April -	21,873,000	103	8,578,000	106	39
May -	21,918,000	103	8,607,000	107	39
June -	23,085,000	109	9,871,000	122	43
July -	21,567,000	102	7,693,000	95	36
August -	20,749,000	98	6,961,000	86	33
September	21,007,000	99	7,335,000	91	35
October -	19,590,000	92	5,338,000	66	27
November	18,747,000	88	7,355,000	91	39
December	21,402,000	101	8,058,000	100	38

1866.

—	Liabilities. Average of Year 22,603,250 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 6,745,000 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities 30 per Cent.
	£.		£.		
January -	19,420,000	86	6,381,000	95	33
February	17,865,000	79	7,583,000	113	43
March -	20,098,000	89	8,420,000	125	42
April -	19,392,000	86	6,847,000	102	35
May -	23,266,000	103	2,979,000	44	13
June -	28,425,000	126	4,076,000	60	14
July -	24,199,000	107	3,636,000	54	15
August -	22,257,000	98	4,798,000	71	21
September	23,277,000	103	7,765,000	115	33
October -	23,240,000	103	7,531,000	112	32
November	23,343,000	103	9,421,000	140	40
December	26,457,000	117	11,503,000	171	43

TABLE XXI.—Monthly Averages of Liabilities and Reserve of Bank of England from 1845 to 1874, &c.—*continued.*

1867.

	Liabilities. Average of Year 26,106,750 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 12,906,333 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities, 49 per Cent.
	£.		£.		
January -	26,791,000	102	11,057,000	86	41
February	24,964,000	96	11,394,000	88	46
March -	25,985,000	99	12,246,000	95	47
April -	25,306,000	97	11,128,000	86	44
May -	25,803,000	99	11,475,000	89	44
June -	27,900,000	107	13,675,000	106	49
July -	26,695,000	102	13,526,000	105	51
August -	26,186,000	100	14,443,000	112	55
September	27,553,000	106	15,617,000	121	57
October -	25,737,000	99	13,706,000	106	53
November	24,706,000	95	13,165,000	102	53
December	25,655,000	98	13,444,000	104	52

1868.

	Liabilities. Average of Year 25,619,250 *l*	Average Liabilities of Year =100.	Reserve. Average of Year 11,903,166 *l.*	Average Reserve of Year =100.	Proportion of Reserve Liabilities 46 per Cen
	£.		£.		
January -	27,285,000	106	13,116,000	110	48
February	25,217,000	98	13,057,000	110	52
March -	26,049,000	102	12,976,000	109	50
April -	25,635,000	100	11,493,000	96	45
May -	26,620,000	104	11,684,000	98	44
June -	28,026,000	109	13,683,000	115	49
July -	26,843,000	105	12,669,000	106	47
August -	23,844,000	93	11,495,000	96	48
September	24,140,000	94	11,906,000	100	49
October -	24,523,000	96	10,707,000	90	44
November	24,158,000	94	10,067,000	85	42
December	25,091,000	98	9,985,000	84	40

1869.

	Liabilities. Average of Year 23,713,500 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 10,320,175 *l.*	Average Reserve of Year =100.	Proportion of Reserve to Liabilities, 43 per Cent.
	£.		£.		
January -	25,247,000	106	9,753,000	94	39
February	22,883,000	96	10,139,000	98	44
March -	24,981,000	105	9,754,000	94	39
April -	23,112,000	97	8,328,000	81	36
May -	23,038,000	97	8,331,000	81	36
June -	25,277,000	106	10,993,000	107	43
July -	24,832,000	105	11,205,000	109	45
August -	22,514,000	95	12,043,000	117	53
September	22,989,000	97	12,001,000	116	52
October -	22,723,000	96	10,061,000	98	44
November	22,216,000	94	10,059,000	98	45
December	24,750,000	104	11,175,000	108	45

1870.

	Liabilities. Average of Year 26,358,416 *l.*	Average Liabilities of Year =100.	Reserve. Average of Year 12,435,333 *l.*	Average Reserve of Year =100.	Proportio of Reserve Liabilities 47 per Cer
	£.		£.		
January -	26,565,000	101	10,772,000	86	40
February	26,955,000	102	11,974,000	96	44
March -	28,282,000	107	12,942,000	104	46
April -	25,415,000	96	11,666,000	94	46
May -	25,528,000	97	11,672,000	94	46
June -	28,664,000	109	13,258,000	107	46
July -	26,741,000	102	11,473,000	92	43
August -	26,693,000	101	10,981,000	88	41
September	25,956,000	98	13,449,000	108	52
October -	24,444,000	93	13,019 000	105	53
November	24,775,000	94	13,286,000	107	54
December	26,283,000	100	14,732,000	118	56

1871.

	Liabilities. Average of Year 29,022,583 *l.*	Average Liabilities of Year = 100.	Reserve. Average of Year 14,162,916 *l.*	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities 49 per Cent.
	£.		£.		
January -	26,486,000	91	13,242,000	94	50
February	26,725,000	92	13,464,000	95	50
March -	31,872,000	110	13,764,000	97	43
April -	29,807,000	103	13,291,000	94	45
May -	28,199,000	97	14,691,000	104	52
June -	30,167,000	104	17,175,000	121	57
July -	33,138,000	114	16,876,000	119	51
August -	28,404,000	98	15,186,000	107	53
September	27,714,000	95	13,485,000	95	49
October -	27,859,000	96	9,529,000	67	34
November	28,789,000	99	13,882,000	97	48
December	29,129,000	100	15,450,000	109	53

1872.

	Liabilities. Average of Year 29,268,750 *l.*	Average Liabilities of Year = 100.	Reserve. Average of Year 12,122,416 *l.*	Average Reserve of Year = 100.	Proportio of Reserve Liabilitie 41 per Cer
	£.		£.		
January -	30,031,000	103	14,482,000	119	48
February	30,014,000	103	14,237,000	117	47
March -	32,688,000	111	13,656,000	113	42
April -	31,042,000	106	10,977,000	90	35
May -	28,956,000	99	10,302,000	85	36
June -	29,655,000	101	13,405,000	111	45
July -	29,465,000	101	11,845,000	98	40
August -	28,911,000	99	12,139,000	100	42
September	29,084,000	99	11,411,000	94	39
October -	26,428,000	90	8,648,000	71	33
November	27,243,000	93	10,754,000	88	39
December	27,708,000	95	13,613,000	112	49

1873.

	Liabilities. Average of Year 28,966,583 *l.*	Average Liabilities of Year = 100.	Reserve. Average of Year 12,051,000 *l.*	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities 42 per Cent.
	£.		£.		
January -	28,527,000	98	13,792,000	115	48
February	32,158,000	111	15,340,000	129	48
March -	34,985,000	121	14,913,000	124	43
April -	33,900,000	117	11,141,000	93	33
May -	30,951,000	107	10,497,000	87	34
June -	30,314,000	105	11,200,000	93	37
July -	26,275,000	91	11,566,000	96	44
August -	25,010,000	86	13,005,000	108	52
September	29,345,000	101	13,131,000	109	45
October -	25,746,000	89	8,560,000	71	33
November	23,914,000	83	9,534,000	79	40
December	26,474,000	91	11,933,000	99	45

1874.

	Liabilities. Average of Year 25,493,500 *l.*	Average Liabilities of Year = 100.	Reserve. Average of Year 11,035,500 *l.*	Average Reserve of Year = 100.	Proportio of Reserve Liabilities 43 per Cen
	£.		£.		
January -	26,352,000	103	12,329,000	112	47
February	25,870,000	101	12,355,000	112	48
March -	27,417,000	108	12,826,000	116	47
April -	28,167,000	110	10,627,000	96	38
May -	26,189,000	103	10,391,000	94	40
June -	26,423,000	104	12,276,000	111	46
July -	25,295,000	99	10,978,000	99	43
August -	23,355,000	92	10,672,000	97	46
September	24,352,000	95	11,488,000	104	47
October -	26,176,000	103	9,790,000	89	37
November	22,928,000	90	8,994,000	82	39
December	23,398,000	92	9,700,000	88	41

TABLE XXII.—Monthly Averages of Liabilities and Reserve of Bank of England from 1845 to 1874, showing the Proportion of Reserve to the Liabilities.

—	1845 to 1854. Liabilities. Average for the 10 Years 17,766,341 *l.*	Average Liabilities for the 10 Years=100	Reserve. Average for the 10 Years 9,211,255 *l.*	Average Reserve for the 10 Years=100.	Proportion of Reserve to Liabilities 52 per Cent.
	£.		£.		
January	17,920,300	101	9,147,300	99	51
February	17,891,200	101	9,545,800	103	53
March	19,386,000	109	10,186,100	111	53
April	17,608,300	99	8,510,600	92	48
May	16,678,500	94	8,681,600	94	52
June	18,416,100	104	9,902,300	108	54
July	17,076,700	96	8,927,600	97	52
August	16,363,800	92	8,897,300	96	54
September	17,828,200	100	9,510,300	103	53
October	17,284,100	97	8,189,000	89	47
November	17,269,900	97	8,843,400	96	51
December	19,473,000	110	10,193,800	111	52

—	1855 to 1864. Liabilities. Average for the 10 Years 20,010,683 *l.*	Average Liabilities for the 10 Years=100.	Reserve. Average for the 10 Years 8,487,116 *l.*	Average Reserve for the 10 Years=100.	Proportion of Reserve to Liabilities 42 per Cent.
	£.		£.		
January	20,019,000	100	8,031,000	95	40
February	19,855,100	99	8,756,100	103	44
March	20,968,300	105	9,429,100	111	45
April	20,056,900	100	8,187,400	96	41
May	19,479,800	97	8,395,000	99	43
June	20,762,500	104	9,444,000	111	45
July	19,719,400	98	8,410,800	99	43
August	19,106,100	95	8,435,600	99	44
September	20,312,200	101	9,018,400	106	44
October	19,527,500	97	7,405,700	87	38
November	19,363,600	97	7,490,200	88	39
December	20,957,800	105	8,842,700	104	42

—	1865 to 1874. Liabilities. Average for the 10 Years 25,835,283 *l.*	Average Liabilities for the 10 Years=100.	Reserve. Average for the 10 Years 11,177,150 *l.*	Average Reserve for the 10 Years=100.	Proportion of Reserve to Liabilities 43 per Cent.
	£.		£.		
January	25,749,400	100	11,323,900	101	44
February	25,346,400	98	11,862,300	106	47
March	27,520,100	106	12,138,200	108	44
April	26,364,900	102	10,407,600	93	39
May	26,046,800	101	10,062,900	90	38
June	27,793,600	107	11,961,200	107	43
July	26,505,000	102	11,146,700	100	42
August	24,792,300	96	11,172,300	100	45
September	25,541,700	99	11,758,800	105	46
October	24,646,600	95	9,688,900	87	39
November	24,081,900	93	10,643,700	95	44
December	25,634,700	99	11,959,300	107	47

—	1845 to 1874. Liabilities. Average for the 30 Years 21,204,102 *l.*	Average Liabilities for the 30 Years=100.	Reserve. Average for the 30 Years 9,625,163 *l.*	Average Reserve for the 30 Years=100.	Proportion of Reserve to Liabilities 45 per Cent.
	£.		£.		
January	21,229,566	100	9,500,733	99	45
February	21,030,900	99	10,054,733	104	48
March	22,624,800	107	10,584,466	110	47
April	21,343,366	101	9,035,200	94	42
May	20,735,033	98	9,046,500	99	44
June	22,324,066	105	10,435,833	108	47
July	21,100,366	99	9,495,033	98	45
August	20,087,400	95	9,501,733	99	48
September	21,227,366	100	10,095,833	105	47
October	20,486,066	96	8,427,533	88	41
November	20,238,466	95	8,992,433	93	44
December	22,021,833	104	10,331,933	107	47

TABLE XXIII.*—Average Rate of Discount for "First Class Bills" for the Twenty Years, 1825 to 1844.

Year.	Average Rate of Year.	Average Rate of Months. January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.
	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.
1825	3 17 6	3 10 –	3 10 –	3 10 –	3 10 –	3 10 –	4 – –	4 – –	4 – –	4 – –	4 – –	4 10 –	4 10 –
1826	4 10 –	5 – –	5 – –	5 – –	5 – –	5 – –	4 10 –	4 10 –	4 – –	4 – –	4 – –	4 – –	4 – –
1827	3 5 –	4 – –	3 10 –	3 10 –	3 10 –	3 10 –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –
1828	3 – 10	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 10 –
1829	3 7 6	4 – –	3 10 –	3 10 –	4 – –	3 10 –	3 10 –	3 10 –	3 – –	3 – –	3 – –	3 – –	3 – –
1830	2 16 3	3 – –	3 – –	2 15 –	2 15 –	2 10 –	2 10 –	2 10 –	2 10 –	2 10 –	2 15 –	3 – –	4 – –
1831	3 13 9	3 5 –	3 – –	3 10 –	3 10 –	4 – –	4 – –	4 – –	3 10 –	3 10 –	4 – –	4 – –	4 – –
1832	3 2 11	4 – –	3 10 –	3 5 –	3 5 –	3 5 –	3 5 –	3 – –	3 – –	3 – –	2 15 –	2 15 –	2 15 –
1833	2 14 7	2 15 –	2 10 –	2 5 –	2 5 –	2 10 –	2 10 –	2 10 –	2 10 –	3 – –	3 – –	3 10 –	3 10 –
1834	3 7 6	3 10 –	3 – –	2 15 –	3 – –	3 5 –	3 5 –	3 5 –	3 5 –	4 – –	3 15 –	3 15 –	3 15 –
1835	3 14 2	3 15 –	3 5 –	3 10 –	3 15 –	3 15 –	4 – –	4 – –	3 10 –	3 15 –	3 15 –	3 15 –	3 15 –
1836	4 5 –	3 15 –	3 15 –	3 10 –	3 5 –	3 5 –	4 – –	4 – –	4 10 –	5 – –	5 – –	5 10 –	5 10 –
1837	4 8 9	5 10 –	5 10 –	5 10 –	5 10 –	4 10 –	4 10 –	4 10 –	4 – –	3 10 –	3 10 –	3 5 –	3 10 –
1838	3 – –	3 10 –	3 – –	3 – –	2 15 –	2 10 –	2 15 –	3 – –	2 15 –	3 – –	3 – –	3 5 –	3 10 –
1839	5 2 6	3 15 –	3 15 –	3 15 –	3 15 –	4 – –	5 – –	5 10 –	6 – –	6 10 –	6 10 –	6 10 –	6 10 –
1840	4 19 7	6 – –	4 15 –	4 15 –	4 15 –	4 5 –	4 15 –	4 10 –	4 10 –	4 15 –	5 – –	6 – –	5 15 –
1841	4 17 11	5 10 –	5 – –	5 – –	4 10 –	4 10 –	5 – –	4 10 –	4 10 –	4 15 –	5 – –	5 10 –	5 – –
1842	3 6 8	4 15 –	4 10 –	3 15 –	3 15 –	3 5 –	3 10 –	3 5 –	3 – –	2 10 –	2 15 –	2 10 –	2 10 –
1843	2 3 4	2 10 –	2 5 –	2 – –	2 – –	2 – –	2 5 –	2 5 –	2 – –	2 – –	2 5 –	2 – –	2 10 –
1844	2 2 6	2 5 –	2 – –	2 – –	2 – –	1 15 –	2 – –	2 – –	1 15 –	2 – –	2 5 –	2 15 –	2 15 –

* This Table is taken from Mr. *D. B. Chapman's* Evidence before the Select Committee of the House of Commons on the Bank Acts, 1857, p. 463.

TABLE XXIV.—Monthly Averages of Rates of Discount for "First Class Bills" from 1825 to 1844

1825.	Average Rate of Year 3 *l.* 17 *s.* 6 *d.*	Rate of Year = 100.	1826.	Average Rate of Year 4 *l.* 10 *s.* 0 *d.*	Rate of Year = 100.	1827.	Average Rate of Year 3 *l.* 5 *s.* 0 *d.*	Rate of Year = 100.	1828.	Average Rate of Year 3 *l.* 0 *s.* 10 *d.*	Rate of Year = 100.	1829.	Average Rate of Year 3 *l.* 7 *s.* 6 *d.*	Rate of Year = 100.
	£. s. d.			£. s. d.			£. s. d.			£. s. d.			£. s. d.	
January -	3 10 –	90	January -	5 – –	111	January -	4 – –	123	January -	3 – –	98	January -	4 – –	118
February	3 10 –	90	February	5 – –	111	February	3 10 –	108	February	3 – –	98	February	3 10 –	104
March -	3 10 –	90	March -	5 – –	111	March -	3 10 –	108	March -	3 – –	98	March -	3 10 –	104
April -	3 10 –	90	April -	5 – –	111	April -	3 10 –	108	April -	3 – –	98	April -	4 – –	118
May -	3 10 –	90	May -	5 – –	111	May -	3 10 –	108	May -	3 – –	98	May -	3 10 –	104
June -	4 – –	103	June -	4 10 –	100	June -	3 – –	92	June -	3 – –	98	June -	3 10 –	104
July -	4 – –	103	July -	4 10 –	100	July -	3 – –	92	July -	3 – –	98	July -	3 10 –	104
August -	4 – –	103	August -	4 – –	89	August -	3 – –	92	August -	3 – –	98	August -	3 – –	89
September	4 – –	103	September	4 – –	89	September	3 – –	92	September	3 – –	98	September	3 – –	89
October -	4 – –	103	October -	4 – –	89	October -	3 – –	92	October -	3 – –	98	October -	3 – –	89
November	4 10 –	116	November	4 – –	89	November	3 – –	92	November	3 – –	98	November	3 – –	89
December	4 10 –	116	December	4 – –	89	December	3 – –	92	December	3 10 –	115	December	3 – –	89

1830.	Average Rate of Year 2 *l.* 16 *s.* 3 *d.*	Rate of Year = 100.	1831.	Average Rate of Year 3 *l.* 13 *s.* 9 *d.*	Rate of Year = 100.	1832.	Average Rate of Year 3 *l.* 2 *s.* 11 *d.*	Rate of Year = 100.	1833.	Average Rate of Year 2 *l.* 14 *s.* 7 *d.*	Rate of Year = 100.	1834.	Average Rate of Year 3 *l.* 7 *s.* 6 *d.*	Rate of Year = 100.
	£. s. d.			£. s. d.			£. s. d.			£. s. d.			£. s. d.	
January -	3 – –	107	January -	3 5 –	88	January -	4 – –	127	January -	2 15 –	101	January -	3 10 –	104
February	3 – –	107	February	3 – –	81	February	3 10 –	111	February	2 10 –	92	February	3 – –	89
March -	2 15 –	98	March -	3 10 –	95	March -	3 5 –	103	March -	2 5 –	82	March -	2 15 –	81
April -	2 15 –	98	April -	3 10 –	95	April -	3 5 –	103	April -	2 5 –	82	April -	3 – –	89
May -	2 10 –	89	May -	4 – –	108	May -	3 5 –	103	May -	2 10 –	92	May -	3 5 –	96
June -	2 10 –	89	June -	4 – –	108	June -	3 5 –	103	June -	2 10 –	92	June -	3 5 –	96
July -	2 10 –	89	July -	4 – –	108	July -	3 – –	95	July -	2 10 –	92	July -	3 5 –	96
August -	2 10 –	89	August -	3 10 –	95	August -	3 – –	95	August -	2 10 –	92	August -	3 5 –	96
September	2 10 –	89	September	3 10 –	95	September	3 – –	95	September	3 – –	110	September	4 – –	118
October -	2 15 –	98	October -	4 – –	108	October -	2 15 –	87	October -	3 – –	110	October -	3 15 –	111
November	3 – –	107	November	4 – –	108	November	2 15 –	87	November	3 10 –	128	November	3 15 –	111
December	4 – –	142	December	4 – –	108	December	2 15 –	87	December	3 10 –	128	December	3 15 –	111

1835.	Average Rate of Year 3 *l.* 14 *s.* 2 *d.*	Rate of Year = 100.	1836.	Average Rate of Year 4 *l.* 5 *s.* 0 *d.*	Rate of Year = 100.	1837.	Average Rate of Year 4 *l.* 8 *s.* 9 *d.*	Rate of Year = 100.	1838.	Average Rate of Year 3 *l.* 0 *s.* 0 *d.*	Rate of Year = 100.	1839.	Average Rate of Year 5 *l.* 2 *s.* 6 *d.*	Rate of Year = 100.
	£. s. d.			£. s. d.			£. s. d.			£. s. d.			£. s. d.	
January -	3 15 –	101	January -	3 15 –	88	January -	5 10 –	124	January -	3 10 –	116	January -	3 15 –	73
February	3 5 –	88	February	3 15 –	88	February	5 10 –	124	February	3 – –	100	February	3 15 –	73
March -	3 10 –	94	March -	3 10 –	82	March -	5 10 –	124	March -	3 – –	100	March -	3 15 –	73
April -	3 15 –	101	April -	3 5 –	76	April -	5 10 –	124	April -	2 15 –	92	April -	3 15 –	73
May -	3 15 –	101	May -	3 5 –	76	May -	4 10 –	101	May -	2 10 –	83	May -	4 – –	78
June -	4 – –	108	June -	4 – –	94	June -	4 10 –	101	June -	2 15 –	92	June -	5 – –	97
July -	4 – –	108	July -	4 – –	94	July -	4 10 –	101	July -	3 – –	100	July -	5 10 –	107
August -	3 10 –	94	August -	4 10 –	106	August -	4 – –	90	August -	2 15 –	92	August -	6 – –	117
September	3 15 –	101	September	5 – –	118	September	3 10 –	79	September	3 – –	100	September	6 10 –	127
October -	3 15 –	101	October -	5 – –	118	October -	3 10 –	79	October -	3 – –	100	October -	6 10 –	127
November	3 15 –	101	November	5 10 –	130	November	3 5 –	73	November	3 5 –	108	November	6 10 –	127
December	3 15 –	101	December	5 10 –	130	December	3 10 –	79	December	3 10 –	116	December	6 10 –	127

1840.	Average Rate of Year 4 *l.* 19 *s.* 7 *d.*	Rate of Year = 100.	1841.	Average Rate of Year 4 *l.* 17 *s.* 11 *d.*	Rate of Year = 100.	1842.	Average Rate of Year 3 *l.* 6 *s.* 8 *d.*	Rate of Year = 100.	1843.	Average Rate of Year 2 *l.* 3 *s.* 4 *d.*	Rate of Year = 100.	1844.	Average Rate of Year 2 *l.* 2 *s.* 6 *d.*	Rate of Year = 100.
	£. s. d.			£. s. d.			£. s. d.			£. s. d.			£. s. d.	
January -	6 – –	120	January -	5 10 –	112	January -	4 15 –	143	January -	2 10 –	115	January -	2 5 –	106
February	4 15 –	95	February	5 – –	102	February	4 10 –	135	February	2 5 –	104	February	2 – –	94
March -	4 15 –	95	March -	5 – –	102	March -	3 15 –	113	March -	2 – –	92	March -	2 – –	94
April -	4 15 –	95	April -	4 10 –	92	April -	3 15 –	113	April -	2 – –	92	April -	2 – –	94
May -	4 5 –	85	May -	4 10 –	92	May -	3 5 –	98	May -	2 – –	92	May -	1 15 –	82
June -	4 15 –	95	June -	5 – –	102	June -	3 10 –	105	June -	2 5 –	104	June -	2 – –	94
July -	4 10 –	90	July -	4 10 –	92	July -	3 5 –	98	July -	2 5 –	104	July -	2 – –	94
August -	4 10 –	90	August -	4 10 –	92	August -	3 – –	90	August -	2 – –	92	August -	1 15 –	82
September	4 15 –	95	September	4 15 –	97	September	2 10 –	75	September	2 – –	92	September	2 – –	94
October -	5 – –	100	October -	5 – –	102	October -	2 15 –	83	October -	2 5 –	104	October -	2 5 –	106
November	6 – –	120	November	5 10 –	112	November	2 10 –	75	November	2 – –	92	November	2 15 –	129
December	5 15 –	115	December	5 – –	102	December	2 10 –	75	December	2 10 –	115	December	2 15 –	129

TABLE XXV.—Average Rate of Discount for First Class Bills for the 10 Years, 1825 to 1834; 1835 to 1844; and the 20 Years, 1825 to 1844.

	Average Rate for the 20 Years, 1825 to 1844, 3 *l.* 11 *s.* 10 *d.*	Average Rate of 20 Years, 1825 to 1844, = 100.		Average Rate for the 10 Years, 1825 to 1834, 3 *l.* 7 *s.* 7 *d.*	Average Rate of 10 Years, 1825 to 1834, = 100.		Average Rate for the 10 Years, 1835 to 1844, 3 *l.* 16 *s.* 0 *d.*	Average Rate of 10 Years, 1835 to 1844, = 100.
	£. *s.* *d.*			£. *s.* *d.*			£. *s.* *d.*	
January -	3 17 3	107	January -	3 12 –	107	January -	4 2 6	108
February -	3 11 3	99	February -	3 7 –	99	February -	3 15 6	99
March -	3 9 9	97	March -	3 6 –	98	March -	3 13 6	97
April -	3 9 9	97	April -	3 7 6	100	April -	3 12 –	95
May -	3 7 9	95	May - -	3 8 –	100	May - -	3 7 6	89
June -	3 11 3	99	June - -	3 7 –	99	June - -	3 15 6	99
July - -	3 10 9	99	July - -	3 6 6	98	July - -	3 15 –	99
August -	3 8 3	95	August -	3 3 3	93	August -	3 13 –	96
September -	3 10 9	99	September -	3 6 –	98	September -	3 15 6	99
October -	3 12 3	101	October -	3 6 6	98	October -	3 18 –	103
November -	3 15 6	105	November -	3 9 –	102	November -	4 2 –	108
December	3 17 3	107	December -	3 12 –	107	December -	4 2 6	108

Average Rate of Discount for the 50 Years, 1825 to 1874 - - - £. 3. 16 *s.* 2 *d.*

TABLE XXVI.—Average Minimum Rate of Discount Charged by the Bank of England for the Thirty Years, 1845 to 1874.

Year.	Annual Average of Minimum Rate of Discount of Bank of England.	AVERAGE RATE OF DISCOUNT FOR THE MONTHS											
		January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.
	£. *s.* *d.*	£. *s.* *d.*	£. *s.* *d.*	£. *s.* *d.*	£. *s.* *d.*	£. *s.* *d.*	£. *s.* *d.*	£. *s.* *d.*	£. *s.* *d.*	£. *s.* *d.*	£. *s.* *d.*	£. *s.* *d.*	£. *s.* *d.*
1845	2 13 5	2 10 -	2 10 –	2 10 –	2 10 –	2 10 –	2 10 –	2 10 –	2 10 –	2 10 –	2 14 2	3 7 3	3 10 –
1846	3 6 7	3 10 –	3 10 –	3 10 –	3 10 –	3 10 –	3 10 –	3 10 –	3 9 5	3 – –	3 – –	3 – –	3 – –
1847	5 1 7	3 7 5	4 – –	4 – –	4 13 4	5 – –	5 – –	5 – –	5 7 8	5 3 7	5 14 6	7 14 7	5 18 –
1848	3 14 8	4 18 8	4 – –	4 – –	4 – –	4 – –	3 15 7	3 10 –	3 10 –	3 10 –	3 10 –	3 1 3	3 – –
1849	2 19 –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	2 18 –	2 10 –
1850	2 10 –	2 10 –	2 10 –	2 10 –	2 10 –	2 10 –	2 10 –	2 10 –	2 10 –	2 10 –	2 10 –	2 10 –	2 11 –
1851	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –
1852	2 3 3	2 11 –	2 10 –	2 10 –	2 8 –	2 – –	2 – –	2 – –	2 – –	2 – –	2 – –	2 – –	2 – –
1853	3 13 6	2 10 3	3 – –	3 – –	3 – –	3 – –	3 8 7	3 10 –	3 10 –	4 3 3	5 – –	5 – –	5 – –
1854	5 2 3	5 – –	5 – –	5 – –	5 – –	5 5 9	5 10 –	5 10 –	5 1 7	5 – –	5 – –	5 – –	5 – –
1855	4 11 8	5 – –	5 – –	5 – –	4 12 3	4 1 7	3 15 3	3 10 –	3 10 –	4 2 7	5 8 –	5 10 –	5 10 –
1856	5 8 7	5 10 –	5 10 –	5 10 –	5 10 –	5 12 3	4 19 3	4 10 –	4 10 –	4 10 –	5 18 1	6 15 –	6 8 5
1857	6 13 3	6 – 1	6 – –	6 – –	6 9 3	6 10 –	6 6 –	5 15 2	5 10 –	5 10 –	6 17 5	9 10 7	9 11 –
1858	3 4 5	5 16 1	3 5 3	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	2 11 11
1859	2 14 9	2 10 –	2 10 –	2 10 –	2 11 3	4 6 9	3 4 3	2 14 5	2 10 –	2 10 –	2 10 –	2 10 –	2 10 –
1860	4 3 8	2 13 10	4 – –	4 – 8	4 16 –	4 11 –	4 – –	4 – –	4 – –	4 – –	4 – –	5 2 2	5 – –
1861	5 5 4	6 15 5	7 10 –	7 13 7	5 10 –	5 9 7	6 – –	6 – –	4 14 2	3 18 7	3 10 –	3 2 3	3 – –
1862	2 10 7	2 12 10	2 10 –	2 10 –	2 10 –	2 12 10	3 – –	2 11 –	2 – –	2 – –	2 – 7	3 – –	3 – –
1863	4 8 10	3 12 2	4 13 7	4 – –	4 4 3	3 9 –	4 – –	4 – –	4 – –	4 – –	4 – –	5 15 5	7 12 1
1864	7 7 1	7 7 –	7 5 8	6 – –	6 9 3	8 4 8	6 10 7	6 3 9	7 17 5	8 14 7	9 – –	8 2 7	6 9 7
1865	4 15 4	5 12 2	5 – –	4 10 7	4 – –	4 6 9	3 5 –	3 1 3	3 19 –	4 – 7	6 11 7	6 15 3	6 2 –
1866	6 18 11	7 17 5	7 15 3	6 9 6	6 – –	8 18 –	10 – –	10 – –	8 14 9	5 3 –	4 10 –	4 2 7	3 16 5
1867	2 10 11	3 10 –	3 2 6	3 – –	3 – –	2 19 8	2 10 –	2 8 5	2 – –	2 – –	2 – –	2 – –	2 – –
1868	2 1 11	2 – –	2 – –	2 – –	2 – –	2 – –	2 – –	2 – –	2 – –	2 – –	2 – –	2 3 8	2 19 1
1869	3 4 2	3 – –	3 – –	3 – –	4 – –	4 8 6	4 1 3	3 4 9	2 17 –	2 10 –	2 10 –	2 18 8	3 – –
1870	3 2 7	3 – –	3 – –	3 – –	3 – –	3 – –	3 – –	3 7 9	5 – 7	3 12 7	2 10 –	2 10 –	2 10 –
1871	2 17 8	2 10 –	2 10 –	2 19 5	2 14 3	2 10 –	2 7 6	2 2 1	2 – –	2 8 –	4 15 6	4 10 7	3 4 6
1872	4 – 10	3 – –	3 – –	3 – –	3 15 –	4 13 7	3 11 –	3 4 2	3 10 –	3 3 3	5 12 7	6 12 7	5 7 9
1873	4 16 –	4 10 –	3 10 –	3 11 7	4 – –	5 3 7	6 5 4	4 19 8	3 6 9	3 5 2	5 19 5	8 4 7	4 16 2
1874	3 13 9	3 17 9	3 10 –	3 10 –	3 10 –	3 19 4	2 17 3	2 10 3	3 11 3	3 – –	3 10 3	4 9 3	6 – –

TABLE XXVII.—Monthly Averages of Bank of England Minimum Rates of Discount from 1845 to 1874.

1845.	Average Rate of Year 2 *l.* 13 *s.* 5 *d.*	Rate of Year = 100.	1846.	Average Rate of Year 3 *l.* 6 *s.* 7 *d.*	Rate of Year = 100.	1847.	Average Rate of Year 5 *l.* 1 *s.* 7 *d.*	Rate of Year = 100.	1848.	Average Rate of Year 3 *l.* 14 *s.* 8 *d.*	Rate of Year = 100.	1849.	Average Rate of Year 2 *l.* 19 *s.* 0 *d.*	Rate of Year = 100.
	£. s. d.			£. s. d.			£. s. d.			£. s. d.			£. s. d.	
January	2 10 –	94	Jan.	3 10 –	105	Jan.	3 7 5	66	Jan.	4 18 8	133	Jan.	3 – –	102
February	2 10 –	94	Feb.	3 10 –	105	Feb.	4 – –	79	Feb.	4 – –	107	Feb.	3 – –	102
March	2 10 –	94	March	3 10 –	105	March	4 – –	79	March	4 – –	107	March	3 – –	102
April	2 10 –	94	April	3 10 –	105	April	4 13 4	92	April	4 – –	107	April	3 – –	102
May	2 10 –	94	May	3 10 –	105	May	5 – –	98	May	4 – –	107	May	3 – –	102
June	2 10 –	94	June	3 10 –	105	June	5 – –	98	June	3 15 7	101	June	3 – –	102
July	2 10 –	94	July	3 10 –	105	July	5 – –	98	July	3 10 –	94	July	3 – –	102
August	2 10 –	94	August	3 9 5	104	August	5 7 8	106	August	3 10 –	94	August	3 – –	102
Sept.	2 10 –	94	Sept.	3 – –	90	Sept.	5 3 7	102	Sept.	3 10 –	94	Sept.	3 – –	102
October	2 14 2	102	October	3 – –	90	October	5 14 6	113	October	3 10 –	94	October	3 – –	102
Nov.	3 7 3	126	Nov.	3 – –	90	Nov.	5 14 7	152	Nov.	3 1 3	82	Nov.	2 18 –	98
Dec.	3 10 –	132	Dec.	3 – –	90	Dec.	5 18 –	116	Dec.	3 – –	80	Dec.	2 10 –	85

1850.	Average Rate of Year 2 *l.* 10 *s.* 0 *d.*	Rate of Year = 100	1851.	Average Rate of Year 3 *l.* 0 *s.* 0 *d.*	Rate of Year = 100.	1852.	Average Rate of Year 2 *l.* 3 *s.* 3 *d.*	Rate of Year = 100.	1853.	Average Rate of Year 3 *l.* 13 *s.* 6 *d.*	Rate of Year = 100.	1854.	Average Rate of Year 5 *l.* 2 *s.* 3 *d.*	Rate of Year = 100.
	£. s. d.			£. s. d.			£. s. d.			£. s. d.			£. s. d.	
January	2 10 –	100	Jan.	3 – –	100	Jan.	2 11 –	118	Jan.	2 10 3	68	Jan.	5 – –	98
February	2 10 –	100	Feb.	3 – –	100	Feb.	2 10 –	115	Feb.	3 – –	82	Feb.	5 – –	98
March	2 10 –	100	March	3 – –	100	March	2 10 –	115	March	3 – –	82	March	5 – –	98
April	2 10 –	100	April	3 – –	100	April	2 8 –	111	April	3 – –	82	April	5 – –	98
May	2 10 –	100	May	3 – –	100	May	2 – –	92	May	3 – –	82	May	5 5 9	104
June	2 10 –	100	June	3 – –	100	June	2 – –	92	June	3 8 7	93	June	5 10 –	108
July	2 10 –	100	July	3 – –	100	July	2 – –	92	July	3 10 –	95	July	5 10 –	108
August	2 10 –	100	August	3 – –	100	August	2 – –	92	August	3 10 –	95	August	5 1 7	99
Sept.	2 10 –	100	Sept.	3 – –	100	Sept.	2 – –	92	Sept.	4 3 3	113	Sept.	5 – –	98
October	2 10 –	100	October	3 – –	100	October	2 – –	92	October	5 – –	136	October	5 – –	98
Nov.	2 10 –	100	Nov.	3 – –	100	Nov.	2 – –	92	Nov.	5 – –	136	Nov.	5 – –	98
Dec.	2 11 –	102	Dec.	3 – –	100	Dec.	2 – –	92	Dec.	5 – –	136	Dec.	5 – –	98

1855.	Average Rate of Year 4 *l.* 11 *s.* 8 *d.*	Rate of Year = 100.	1856.	Average Rate of Year 5 *l.* 8 *s.* 7 *d.*	Rate of Year = 100.	1857.	Average Rate of Year 6 *l.* 13 *s.* 3 *d.*	Rate of Year = 100.	1858.	Average Rate of Year 3 *l.* 4 *s.* 5 *d.*	Rate of Year = 100.	1859.	Average Rate of Year 2 *l.* 14 *s.* 9 *d.*	Rate of Year = 100.
	£. s. d.			£. s. d.			£. s. d.			£. s. d.			£. s. d.	
January	5 – –	109	Jan.	5 10 –	101	Jan.	6 – –	90	Jan.	5 16 1	180	Jan.	2 10 –	91
February	5 – –	109	Feb.	5 10 –	101	Feb.	6 – –	90	Feb.	3 5 3	101	Feb.	2 10 –	91
March	5 – –	109	March	5 10 –	101	March	6 – –	90	March	3 – –	93	March	2 10 –	91
April	4 12 3	101	April	5 10 –	101	April	6 9 3	97	April	3 – –	93	April	2 11 3	93
May	4 1 7	89	May	5 12 3	103	May	6 10 –	97	May	3 – –	93	May	4 6 9	158
June	3 15 3	82	June	4 19 3	91	June	6 6 –	94	June	3 – –	93	June	3 4 3	117
July	3 10 –	77	July	4 10 –	83	July	5 15 2	86	July	3 – –	93	July	2 14 5	99
August	3 10 –	77	August	4 10 –	83	August	5 10 –	82	August	3 – –	93	August	2 10 –	91
Sept.	4 2 7	90	Sept.	4 10 –	83	Sept.	5 10 –	82	Sept.	3 – –	93	Sept.	2 10 –	91
October	5 8 –	118	Oct.	5 18 1	109	Oct.	6 17 5	103	October	3 – –	93	October	2 10 –	91
Nov.	5 10 –	120	Nov.	6 15 –	124	Nov.	9 10 7	142	Nov.	3 – –	93	Nov.	2 10 –	91
Dec.	5 10 –	120	Dec.	6 8 5	118	Dec.	9 11 –	143	Dec.	2 11 11	81	Dec.	2 10 –	91

1860.	Average Rate of Year 4 *l.* 3 *s.* 8 *d.*	Rate of Year = 100.	1861.	Average Rate of Year 5 *l.* 5 *s.* 4 *d.*	Rate of Year = 100.	1862.	Average Rate of Year 2 *l.* 10 *s.* 7 *d.*	Rate of Year = 100.	1863.	Average Rate of Year 4 *l.* 8 *s.* 10 *d.*	Rate of Year = 100.	1864.	Average Rate of Year 7 *l.* 7 *s.* 1 *d.*	Rate of Year = 100.
	£. s. d.			£. s. d.			£. s. d.			£. s. d.			£. s. d.	
January	2 13 10	64	Jan.	6 15 5	129	Jan.	2 12 10	105	Jan.	3 12 2	81	Jan.	7 7 –	100
February	4 – –	95	Feb.	7 10 –	142	Feb.	2 10 –	99	Feb.	4 13 7	105	Feb.	7 5 8	99
March	4 – 8	96	March	7 13 7	145	March	2 10 –	99	March	4 – –	90	March	6 – –	81
April	4 16 –	114	April	5 10 –	123	April	2 10 –	99	April	4 4 3	95	April	6 9 3	88
May	4 11 –	108	May	5 9 7	122	May	2 12 10	105	May	3 9 –	78	May	8 4 8	112
June	4 – –	95	June	6 – –	114	June	3 – –	119	June	4 – –	90	June	6 10 7	89
July	4 – –	95	July	6 – –	114	July	2 11 –	101	July	4 – –	90	July	6 3 9	84
August	4 – –	95	August	4 14 2	87	August	2 – –	79	August	4 – –	90	August	7 17 5	107
Sept.	4 – –	95	Sept.	3 18 7	74	Sept.	2 – –	79	Sept.	4 – –	90	Sept.	8 14 7	118
October	4 – –	95	October	3 10 –	66	October	2 – 7	80	October	4 – –	90	October	9 – –	122
Nov.	5 2 2	122	Nov.	3 2 3	59	Nov.	3 – –	119	Nov.	5 15 5	130	Nov.	8 2 7	110
Dec.	5 – –	119	Dec.	3 – –	57	Dec.	3 – –	119	Dec.	7 12 1	171	Dec.	6 9 7	88

TABLE XXVII.—Monthly Averages of Bank of England Minimum Rates of Discount from 1845 to 1874—*continued.*

1865.			1866.			1867.			1868.			1869.		
Average Rate of Year 4 *l.* 15 *s.* 4 *d.*		Rate of Year = 100.	Average Rate of Year 6 *l.* 18 *s.* 11 *d.*		Rate of Year = 100.	Average Rate of Year 2 *l.* 10 *s.* 11 *d.*		Rate of Year = 100.	Average Rate of Year 2 *l.* 1 *s.* 11 *d.*		Rate of Year = 100.	Average Rate of Year 3 *l.* 4 *s.* 2 *d.*		Rate of Year = 100.
	£. *s.* *d.*			£. *s.* *d.*			£. *s.* *d.*			£. *s.* *d.*			£. *s.* *d.*	
January -	5 12 2	117	January	7 17 5	113	January	3 10 –	137	January	2 – –	95	January	3 – –	94
February	5 – –	105	Feb. -	7 15 8	112	Feb. -	3 2 6	122	Feb. -	2 – –	95	Feb. -	3 – –	94
March -	4 10 7	95	March -	6 9 6	93	March -	3 – –	117	March -	2 – –	95	March -	3 – –	94
April -	4 – –	84	April -	6 – –	86	April -	3 – –	117	April -	2 – –	95	April -	4 – –	125
May -	4 6 9	91	May -	8 18 –	128	May -	2 19 8	116	May -	2 – –	95	May -	4 8 6	138
June -	3 5 –	68	June -	10 – –	144	June -	2 10 –	98	June -	2 – –	95	June -	4 1 3	126
July -	3 1 3	64	July -	10 – –	144	July -	2 8 5	95	July -	2 – –	95	July -	3 4 9	101
August -	3 19 –	83	August	8 14 9	126	August	2 – –	78	Aug. -	2 – –	95	August	2 17 –	89
Sept. -	4 – 7	84	Sept. -	5 5 –	74	Sept. -	2 – –	78	Sept. -	2 – –	95	Sept. -	2 10 –	78
October -	6 11 7	138	Oct. -	4 10 –	65	Oct. -	2 – –	78	Oct -	2 – –	95	Oct. -	2 10 –	78
Nov. -	6 15 3	142	Nov. -	4 2 7	60	Nov. -	2 – –	78	Nov. -	2 3 8	103	Nov. -	2 18 8	92
Dec. -	6 2 –	128	Dec. -	3 16 5	55	Dec. -	2 – –	78	Dec. -	2 19 1	140	Dec. -	3 – –	94

1870.			1871.			1872.			1873.			1874.		
Average Rate of Year 3 *l.* 2 *s.* 7 *d.*		Rate of Year = 100.	Average Rate of Year 2 *l.* 17 *s.* 8 *d.*		Rate of Year = 100	Average Rate of Year 4 *l.* 0 *s.* 10 *d.*		Rate of Year = 110.	Average Rate of Year 4 *l.* 16 *s.* 0 *d.*		Rate of Year = 100.	Average Rate of Year 3 *l.* 13 *s.* 9 *d.*		Rate of Year = 100.
	£. *s.* *d.*			£. *s.* *d.*			£. *s.* *d.*			£. *s.* *d.*			£. *s.* *d.*	
January	3 – –	96	January	2 10 –	86	January	3 – –	74	January	4 10 –	94	January	3 17 9	105
February	3 – –	96	Feb. -	2 10 –	86	Feb. -	3 – –	74	Feb. -	3 10 –	73	Feb. -	3 10 –	94
March -	3 – –	96	March -	2 19 5	102	March -	3 – –	74	March -	3 11 7	75	March -	3 10 –	94
April -	3 – –	96	April -	2 14 3	93	April -	3 15 –	92	April -	4 – –	83	April -	3 10 –	94
May -	3 – –	96	May -	2 10 –	86	May -	4 13 7	116	May -	5 3 7	108	May -	3 19 4	107
June -	3 – –	96	June -	2 7 6	82	June -	3 11 –	88	June -	6 5 4	130	June -	2 17 3	77
July -	3 7 9	109	July -	2 2 1	72	July -	3 4 2	79	July -	4 19 8	104	July -	2 10 3	67
August -	5 – 7	162	Aug. -	2 – –	69	August	3 10 –	86	August	3 6 9	70	August	3 11 3	96
Sept. -	3 12 7	117	Sept. -	2 8 –	83	Sept. -	3 3 3	78	Sept. -	3 5 2	68	Sept. -	3 – –	81
October -	2 10 –	80	Oct. -	4 15 6	165	Oct. -	5 12 7	139	Oct. -	5 19 5	124	Oct. -	3 10 3	95
Nov. -	2 10 –	80	Nov. -	4 10 7	157	Nov. -	6 12 7	164	Nov. -	8 4 7	171	Nov. -	4 9 3	120
Dec. -	2 10 –	80	Dec. -	3 4 6	112	Dec. -	5 7 9	133	Dec. -	4 16 2	100	Dec. -	6 – –	126

TABLE XXVIII.—AVERAGES of BANK of ENGLAND MINIMUM RATE of DISCOUNT for the Ten Years, 1845 to 1854, 1855 to 1864, 1865 to 1874, and for the Thirty Years, 1845 to 1874.

—	Average Rate for the 30 Years, 1845 to 1874, 3 *l.* 18 *s.* 5 *d.*	Average Rate of 30 Years, 1845 to 1874, = 100.	—	Average Rate for the 10 Years, 1845 to 1854, 3 *l.* 8 *s.*	Average Rate of 10 Years, 1845 to 1854, = 100.	—	Average Rate for the 10 Years, 1855 to 1864, 4 *l.* 14 *s.* 6 *d.*	Average Rate of 10 Years, 1855 to 1864, = 100.	—	Average Rate for the 10 Years, 1865 to 1874, 3 *l.* 16 *s.* 6 *d.*	Average Rate of 10 Years, 1865 to 1874, = 100.
	£. *s.* *d.*			£. *s.* *d.*			£. *s.* *d.*			£. *s.* *d.*	
January -	3 19 9	102	January -	3 5 8	96	January -	4 15 8	101	January -	3 17 8	101
February -	3 18 5	100	February	3 6 –	97	February	4 16 5	102	February	3 12 9	96
March -	3 16 2	97	March -	3 6 –	97	March -	4 12 5	97	March -	3 10 1	91
April -	3 16 9	98	April -	3 7 1	98	April -	4 11 2	96	April -	3 11 11	94
May - -	4 2 5	104	May -	3 7 7	99	May -	4 15 8	101	May -	4 3 8	109
June - -	3 18 10	101	June -	3 8 4	100	June -	4 9 6	95	June -	3 19 8	104
July - -	3 15 5	96	July -	3 8 –	100	July -	4 4 5	89	July -	3 13 10	97
August -	3 5 1	95	August -	3 7 10	100	August -	4 3 2	88	August -	3 13 11	97
September	3 11 6	91	September	3 7 8	100	September	4 4 6	89	September	3 2 2	81
October -	4 1 1	103	October -	3 10 10	104	October -	4 12 4	98	October -	3 19 11	104
November	4 9 6	114	November	3 15 1	110	November	5 4 9	111	November	4 8 8	116
December -	4 4 7	108	December	3 10 10	104	December	5 3 3	109	December	3 19 1	103

AVERAGE RATE of DISCOUNT for the Fifty Years, 1825 to 1874 - - - £. 3. 16 *s.* 2 *d.*

Appendix, No. 14.

TABLE XXIX.

NUMBER of TIMES the Rate of Discount charged in each Month has been above, below, or equal to the Average of the Year for the Fifty Years 1825 to 1874.

PART I.—1825 to 1844.

	Number of Times *above* Average of Year.		Number of Times *below* Average of Year.		Number of Times *equal* to Average of Year.		Number of Times *above* Average of Year for the 20 Years.	Number of Times *below* Average of Year for the 20 Years.	Number of Times *equal* to Average of Year for the 20 Years.
	1825 to 1834.	1835 to 1844.	1825 to 1834.	1835 to 1844.	1825 to 1834.	1835 to 1844.	1825 to 1844.	1825 to 1844.	1825 to 1844.
January	7	8	3	2	–	–	15	5	—
February	5	4	5	5	–	1	9	10	1
March	4	3	6	6	–	1	7	12	1
April	4	3	6	7	–	–	7	13	—
May	5	2	5	8	–	–	7	13	—
June	4	5	5	5	1	–	9	10	1
July	3	4	6	5	1	1	7	11	2
August	1	2	9	8	–	–	3	17	—
September	3	3	7	6	–	1	6	13	1
October	4	6	6	2	–	2	10	8	2
November	5	7	5	3	–	–	12	8	—
December	6	8	4	2	–	–	14	6	—

PART II.—1845 to 1874.

	Number of Times *above* Average of Year.			Number of Times *below* Average of Year.			Number of Times *equal* to Average of Year.			Number of Times *above* Average of Year for the 30 Years.	Number of Times *below* Average of Year for the 30 Years.	Number of Times *equal* to Average of Year for the 30 Years.
	1845 to 1854.	1855 to 1864.	1865 to 1874	1845 to 1854.	1855 to 1864.	1865 to 1874.	1845 to 1854.	1855 to 1864.	1865 to 1874.	1845 to 1874.	1845 to 1874.	1845 to 1874.
January	4	5	4	4	4	6	2	1	–	13	14	3
February	4	5	3	4	5	7	2	–	–	12	16	2
March	4	3	2	4	7	8	2	–	–	9	19	2
April	4	4	2	4	6	8	2	–	–	10	18	2
May	4	6	6	4	4	4	2	–	–	16	12	2
June	4	3	3	4	7	7	2	–	–	10	18	2
July	3	2	4	5	8	6	2	–	–	9	19	2
August	3	1	2	5	9	8	2	–	–	6	22	2
September	3	1	1	5	9	9	2	–	–	5	23	2
October	4	4	4	4	6	6	2	–	–	12	16	2
November	3	7	6	5	3	4	2	–	–	16	12	2
December	4	6	5	5	4	4	1	–	1	15	13	2

TABLE XXX.—Bankers' Clearing House Return, 1868 to 1874.

1868.

Amount of Year, £. 3,466,045,000.
Weekly Average,
£. 65,397,075 = 100.

Weekly Average in Months of

	£.	
January -	62,569,200	96
February -	65,565,750	100
March -	66,276,000	101
April - -	66,740,600	102
May - -	60,474,500	92
June - -	65,802,750	100
July - -	68,612,800	105
August -	66,087,000	101
September -	61,732,400	94
October -	64,569,500	99
November -	68,038,250	104
December -	68,103,000	104

1869.

Amount of Year, £. 3,601,676,000.
Weekly Average,
£. 69,263,000 = 100.

Weekly Average in Months of

	£.	
January -	69,933,000	101
February -	72,533,500	105
March -	73,395,400	106
April - -	70,375,000	101
May - -	67,652,000	98
June - -	67,663,000	98
July - -	70,428,500	102
August -	68,489,000	99
September -	63,408,000	92
October -	71,227,750	103
November -	68,244,000	98
December -	68,762,600	99

1870.

Amount of Year, £. 3,904,825,000.
Weekly Average,
£. 75,092,788 = 100.

Weekly Average in Months of

	£.	
January -	80,264,750	107
February -	79,078,250	105
March -	79,233,800	106
April -	71,934,000	96
May - -	76,056,500	101
June - -	75,536,600	101
July - -	86,226,250	115
August -	73,354,200	98
September	63,539,750	85
October -	71,584,750	95
November	74,085,800	99
December -	69,759,000	93

1871.

Amount of Year, £. 4,787,217,000.
Weekly Average,
£. 92,061,865 = 100.

Weekly Average in Months of

	£.	
January -	78,378,250	85
February -	81,901,750	89
March -	85,587,600	93
April -	88,825,000	96
May -	90,383,000	98
June - -	82,309,000	89
July - -	103,400,000	112
August -	92,522,000	100
September	97,609,250	106
October -	106,569,250	116
November	98,099,800	107
December -	99,571,250	108

1872.

Amount of Year, £. 5,903,720,000.
Weekly Average,
£. 113,533,076 = 100.

Weekly Average in Months of

	£.	
January -	121,418,800	107
February -	106,263,250	93
March -	119,238,750	105
April -	106,968,750	94
May - -	110,579,600	97
June -	112,854,250	99
July - -	127,685,600	112
August -	111,564,000	98
September	108,025,750	95
October -	117,493,000	103
November	103,991,000	91
December -	108,048,250	95

1873.

Amount of Year, £. 6,161,500,000.
Weekly Average,
£. 116,254,717 = 100.

Weekly Average in Months of

	£.	
January -	121,166,800	104
February -	124,083,250	107
March -	122,253,000	105
April -	115,302,400	99
May - -	111,203,000	96
June -	111,864,250	96
July - -	119,564,400	103
August -	115,660,000	100
September	104,408,250	90
October -	115,498,000	100
November	118,251,500	102
December -	114,595,800	98

1874.

Amount of Year, £. 5,916,195,000.
Weekly Average,
£. 113,771,057 = 100.

Weekly Average in Months of

	£.	
January -	115,069,250	101
February -	116,598,000	102
March -	116,892,000	103
April -	112,515,800	99
May -	111,751,000	98
June -	115,464,500	101
July -	117,503,000	103
August -	108,045,500	95
September	116,944,000	103
October -	109,564,750	96
November	111,989,000	98
December -	111,977,000	98

Weekly Average in Months during the 7 Years 1868 to 1874.

Average of 7 Years 1868 to 1874
£. 92,196,225 = 100.

Months of —— in 7 Years 1868 to 1874.

	£.	
January -	92,685,721	101
February -	92,289,107	100
March -	94,696,650	103
April -	90,380,221	98
May -	89,728,514	97
June -	90,213,478	98
July - -	99,060,078	107
August -	90,817,385	99
September	87,952,485	95
October -	93,786,714	102
November -	91,814,193	99
December -	91,545,271	99

Appendix, No. 14.

(Referred to in Question 5530).

Taken from the Weekly Statement of the Liabilities and Assets of the Bank of *England*; Appendix to Report from the Select (Secret) Committee on Commercial Distress.—Pages 39 to 143.

Metropolitan and Provincial Circulation of the Bank of England for the Six Years 1842 to 1847.

—	Metropolitan Circulation.		Proportion of Metropolitan Circulation to the whole.	Provincial Circulation.		Proportion of Provincial Circulation to the whole.	Total Circulation Bank of England.	
	Average of Six Years. £. 14,161,600 = 100.		70 per cent.	Average of Six Years. £. 6,226,600 = 100.		30 per cent.	Average of Six Years. £. 20,388,000 = 100.	
	£.		*Per Cent.*	£.		*Per Cent.*	£.	
January	14,461,000	102	70	6,130,000	98	30	20,590,000	101
February	14,222,000	100	70	6,171,000	99	30	20,393,000	100
March	13,619,000	96	69	6,099,000	98	31	19,718,000	97
April	14,451,000	102	70	6,303,000	101	30	20,753,000	102
May	14,084,000	99	69	6,218,000	100	31	20,302,000	100
June	13,536,000	96	69	6,000,000	96	31	19,535,000	96
July	14,651,000	103	70	6,280,000	101	30	20,931,000	103
August	14,585,000	96	70	6,220,000	100	30	20,804,000	102
September	13,915,000	98	69	6,217,000	100	31	20,133,000	99
October	14,580,000	103	69	6,500,000	104	31	21,079,000	103
November	14,330,000	101	69	6,396,000	103	31	20,724,000	102
December	13,506,000	95	69	6,188,000	99	31	19,694,000	97

1842.

—	Metropolitan Circulation.		Proportion of Metropolitan Circulation to the whole.	Provincial Circulation.		Proportion of Provincial Circulation to the whole.	Total Circulation Bank of England.	
	Average of Year. £. 13,511,000 = 100.		73 per cent.	Average of Year. £. 5,000,000 = 100.		27 per cent.	Average of Year. £. 18,514,000 = 100.	
	£.		*Per Cent.*	£.		*Per Cent.*	£.	
January	12,623,000	93	74	4,495,000	90	26	17,118,000	92
February	12,451,000	92	73	4,705,000	94	27	17,156,000	92
March	12,078,000	92	73	4,578,000	92	27	16,656,000	90
April	13,374,000	99	74	4,764,000	95	26	18,138,000	98
May	13,116,000	97	73	4,775,000	95	27	17,891,000	96
June	12,912,000	95	74	4,630,000	93	26	17,542,000	95
July	14,820,000	110	74	5,256,000	105	26	20,076,000	108
August	14,842,000	110	73	5,404,000	108	27	20,246,000	109
September	14,161,000	105	72	5,425,000	109	28	19,586,000	106
October	14,446,000	107	73	5,466,000	109	27	19,912,000	107
November	14,074,000	104	72	5,380,000	108	28	19,454,000	105
December	13,238,000	98	72	5,164,000	103	28	18,402,000	99

1843.

—	Metropolitan Circulation.		Proportion of Metropolitan Circulation to the whole.	Provincial Circulation.		Proportion of Provincial Circulation to the whole.	Total Circulation Bank of England.	
	Average of Year. £. 13,975,000 = 100.		71 per cent.	Average of Year. £. 5,589,000 = 100.		29 per cent.	Average of Year. £. 19,564,000 = 100.	
	£.		*Per Cent.*	£.		*Per Cent.*	£.	
January	15,029,000	108	74	5,373,000	96	26	20,402,000	104
February	15,285,000	103	74	5,460,000	98	26	20,745,000	106
March	14,157,000	101	72	5,424,000	97	28	19,581,000	100
April	14,516,000	104	72	5,658,000	101	28	20,174,000	103
May	13,758,000	98	71	5,664,000	101	29	19,422,000	99
June	12,957,000	93	70	5,454,000	98	30	18,411,000	94
July	14,350,000	103	72	5,621,000	101	28	19,971,000	102
August	14,165,000	101	72	5,582,000	100	28	19,747,000	101
September	13,382,000	96	71	5,550,000	99	29	18,932,000	97
October	13,704,000	98	70	5,824,000	104	30	19,528,000	100
November	13,359,000	95	70	5,715,000	102	30	19,074,000	98
December	13,038,000	93	70	5,734,000	103	30	18,772,000	96

Metropolitan and Provincial Circulation of the Bank of England for the Six Years 1842 to 1847–*contd.* Appendix, No. 14.

1844.

	Metropolitan Circulation.		Proportion of Metropolitan Circulation to the whole.	Provincial Circulation.		Proportion of Provincial Circulation to the whole.	Total Circulation Bank of England.	
	Average of Year. £. 14,854,800 = 10.		70 per cent.	Average of Year. £. 6,456,000 = 100.		30 per cent.	Average of Year. £. 21,310,800 = 100.	
	£.		*Per Cent.*	£.		*Per Cent.*	£.	
January	14,876,000	100	70	6,319,000	98	30	21,195,000	99
February	15,233,000	102	70	6,415,000	100	30	21,684,000	102
March	14,499,000	98	69	6,415,000	99	31	20,914,000	98
April	15,274,000	103	70	6,564,000	102	30	21,838,000	102
May	15,051,000	101	70	6,453,000	100	30	21,504,000	101
June	14,331,000	96	69	6,303,000	98	31	20,634,000	97
July	15,150,000	102	69	6,770,000	105	31	21,920,000	103
August	15,376,000	103	71	6,343,000	98	29	21,719,000	102
September	14,542,000	98	70	6,368,000	98	30	20,910,000	98
October	15,310,000	103	70	6,469,000	100	30	21,779,000	102
November	14,876,000	100	70	6,503,000	101	30	21,379,000	100
December	13,741,000	93	68	6,513,000	101	32	20,254,000	95

1845.

	Metropolitan Circulation.		Proportion of Metropolitan Circulation to the whole.	Provincial Circulation.		Proportion of Provincial Circulation to the whole.	Total Circulation Bank of England.	
	Average of Year. £. 14,708,800 = 100.		68 per cent.	Average of Year. £. 7,063,300 = 100.		32 per cent.	Average of Year. £. 21,772,100 = 100.	
	£.		*Per Cent.*	£.		*Per Cent.*	£.	
January	14,569,000	99	68	6,803,000	96	32	21,372,000	98
February	14,349,000	98	68	6,904,000	98	32	21,253,000	98
March	13,905,000	95	67	6,819,000	96	33	20,724,000	95
April	14,998,000	102	68	7,080,000	100	32	22,078,000	101
May	14,875,000	101	68	6,972,000	99	32	21,847,000	100
June	14,317,000	97	67	6,928,000	98	33	21,245,000	98
July	15,184,000	103	68	7,149,000	101	32	22,333,000	103
August	15,308,000	104	68	7,205,000	102	32	22,513,000	103
September	14,336,000	98	67	7,200,000	102	33	21,536,000	99
October	15,155,000	103	67	7,583,000	107	33	22,738,000	104
November	15,218,000	103	68	7,285,000	103	32	22,503,000	103
December	14,291,000	97	68	6,832,000	97	32	21,123,000	97

1846.

	Metropolitan Circulation.		Proportion of Metropolitan Circulation to the whole.	Provincial Circulation.		Proportion of Provincial Circulation to the whole.	Total Circulation Bank of England.	
	Average of Year. £. 14,434,100 = 100.		68 per cent.	Average of Year. £. 6,754,000 = 100.		32 per cent.	Average of Year £. 21,188,900 = 100.	
	£.		*Per Cent.*	£.		*Per Cent.*	£.	
January	15,089,000	104	69	6,889,000	102	31	21,978,000	104
February	14,364,000	100	68	6,746,000	100	32	21,110,000	100
March	13,732,000	95	68	6,614,000	98	32	20,346 000	96
April	14,454,000	100	68	6,825,000	101	32	21,279,000	100
May	14,337,000	99	68	6,812,000	101	32	21,149,000	100
June	13,956,000	97	68	6,501,000	96	32	20,457,000	96
July	14,958,000	103	69	6,634,000	98	31	21,592,000	102
August	14,694,000	102	69	6,674,000	99	31	21,368,000	101
September	14,261,000	99	68	6,732,000	100	32	20,993,000	99
October	15,030,000	104	68	7,011,000	104	32	22,041,000	104
November	14,492,000	101	68	6,871,000	101	32	21,363,000	101
December	13,842,000	96	67	6,749,030	100	33	20,591,000	27

Appendix, No. 14. Metropolitan and Provincial Circulation of the Bank of England for the Six Years 1842 to 1847–*contd.*

1847.

	Metropolitan Circulation.		Proportion of Metropolitan Circulation to the whole.	Provincial Circulation.		Proportion of Provincial Circulation to the whole.	Total Circulation Bank of England.	
	Average of Year. £. 13,485,000 = 100.		67 per cent.	Average of Year. £. 6,494,700 = 100.		33 per cent.	Average of Year. £. 19,979,700 = 100.	
	£.		*Per Cent.*	£.		*Per Cent.*	£.	
January - -	14,578,000	108	68	6,899,000	106	32	21,477,000	107
February - -	13,653,000	101	67	6,761,000	104	33	20,414,000	102
March - -	13,345,000	99	67	6,742,000	104	33	20,087,000	100
April - -	14,087,000	105	67	6,926,000	107	33	21,013,000	105
May - -	13,367,000	99	67	6,635,000	102	33	20,002,000	100
June - -	12,743,000	95	67	6,181,000	95	33	18,924,000	95
July - -	13,448,000	100	68	6,249,000	96	32	19,697,000	98
August - -	13,123,000	98	68	6,111,000	94	32	19,234,000	96
September -	12,811,000	95	68	6,027,000	93	32	18,838,000	94
October - -	13,825,000	103	68	6,649,000	102	32	20,474,000	102
November -	13,951,000	103	68	6,622,060	102	32	20,573,000	103
December - -	12,889,000	95	68	6,435,000	95	32	19,024,000	95

Banks, No. 1 to No. 19.

TABLE showing the Proportion of Notes in Circulation to the Deposits in the undermentioned Years.

	Years.	Deposits taken as = 100 in the *first* year under consideration, the *proportional* increase is shown by the figures in subsequent years.	Proportion of Circulation to Deposits.
Bank No. 1 (a Bank in a mixed district. Commercial and agricultural).	31 Dec. 1844	= 100	22 per cent.
	31 „ 1859	„ 280	7 „
	31 „ 1874	„ 1,245	1½ „
Bank No. 2 (a Bank in a mixed district. Manufacturing and agricultural).	1 May 1844	= 100	14 „
	1 „ 1854	„ 118	10½ „
	1 „ 1864	„ 147	8½ „
	1 „ 1874	„ 235	5 „
Bank No. 3 (a Bank in an agricultural district) - -	1844 - -	= 100	11 „
	1854 - -	„ 103	10 „
	1864 - -	„ 96	6 „
	1874 - -	„ 160	4 „
Bank No. 4 (a Bank in a mixed district. Industrial and agricultural).	1844 - -	= 100	—
	1854 - -	„ 126	—
	1864 - -	„ 133	—
	1874 - -	„ 299	—
Bank No. 5 (a Bank in a manufacturing locality) -	1844 - -	= 100	—
	1854 - -	„ 138	—
	1864 - -	„ 166	—
	1874 - -	„ 674	—
Bank No. 6 (a Bank in a district principally agricultural).	1844 - -	= 100	—
	1854 - -	„ 149	—
	1864 - -	„ 155	—
	1874 - -	„ 294	—
Bank No. 7 (a Bank in a mixed district. Agricultural, trading and manufacturing).	30 June 1844	= 100	—
	30 June 1854	„ 168	—
	30 June 1864	„ 215	—
	30 June 1874	„ 414	—
	31 Dec. 1874	„ 436	—
Bank No. 8 (a Bank in a mixed district. Manufacturing and agricultural).	31 Dec. 1844	= 100	—
	31 Dec. 1854	„ 166	—
	31 Dec. 1864	„ 226	—
	31 Dec. 1874	„ 555	—

Bank No. 9. Deposits double in 1874 than in 1844.

Bank No. 10. Deposits two and a-half times larger in 1874 than in 1844.

Bank No. 11*. Deposits more than three to one more in 1874 than in 1844.

Bank No. 12. Deposits quadrupled in 1874 compared with 1844.

Bank No. 13. Deposits seven times more in 1874 compared with 1844.

Bank No. 14. Deposits three times more in 1874 compared with 1844.

Bank No. 15. Deposits more than three times in 1874 than in 1844.

Bank No. 16. Deposits three times larger in 1874 than in 1844.

Bank No. 17. Deposits three times one-third larger in 1874 than in 1844.

Bank No. 18. Deposits more than three times larger in 1874 than in 1844.

Bank No. 19. Deposits rather more than four times larger in 1874 than in 1844.

* Deposits one-fifth more in 1854 than in 1844. Double in 1864 than in 1844.

Bank No. 20. (A Bank in a Manufacturing District.)

TABLE showing the Proportion of Notes in Circulation to the Deposits, on 31st December in each Year from 1844 to 1874 inclusive.

Proportion of Note Circulation on 31 December in each Year to that on 31 December 1844.		Proportion of Deposits on 31 December in each Year to that on 31 December 1844. Amount on Dec. '44=100.	Proportion of Notes in Circulation to Deposits at each Date.	Proportion of Note Circulation on 31 December in each Year to that on 31 December 1844.		Proportion of Deposits on 31 December in each Year to that on 31 December 1844. Amount on Dec. '44=100.	Proportion of Notes in Circulation to Deposits at each Date.
31 Dec. 1844	100	= 100	14 p' cent.	31 Dec. 1860	88	= 159	8 p' cent.
31 Dec. 1845	109	„ 102	16 „	31 Dec. 1861	89	„ 153	8½ „
31 Dec. 1846	112	„ 98	17 „	31 Dec. 1862	81	„ 150	8 „
31 Dec. 1847	96	„ 94	15 „	31 Dec. 1863	80	„ 161	7½ „
31 Dec. 1848	97	„ 86	16½ „	31 Dec. 1864	75	„ 160	7 „
31 Dec. 1849	94	„ 96	14½ „	31 Dec. 1865	75	„ 176	6 „
31 Dec. 1850	90	„ 114	11½ „	31 Dec. 1866	63	„ 166	5½ „
31 Dec. 1851	90	„ 109	12 „	31 Dec. 1867	80	„ 194	6 „
31 Dec. 1852	95	„ 133	10½ „	31 Dec. 1868	75	„ 204	5½ „
31 Dec. 1853	106	„ 143	11 „	31 Dec. 1869	72	„ 206	5 „
31 Dec. 1854	111	„ 139	11½ „	31 Dec. 1870	69	„ 196	5 „
31 Dec. 1855	115	„ 114	15 „	31 Dec. 1871	77	„ 221	5 „
31 Dec. 1856	109	„ 155	10 „	31 Dec. 1872	76	„ 242	5 „
31 Dec. 1857	76	„ 133	8½ „	31 Dec. 1873	89	„ 259	5 „
31 Dec. 1858	87	„ 143	9 „	31 Dec. 1874	86	„ 272	4½ „
31 Dec. 1859	107	„ 150	10½ „				

Bank, No. 21. (A Bank in an Agricultural District.)

TABLE showing the Proportion of Circulation to Banking Deposits.

YEARS.	Average Deposits. Amount on Dec. '44=100.	Proportion of Notes in Circulation to Deposits.	YEARS.	Average Deposits. Amount on Dec. '44=100.	Proportion of Notes in Circulation to Deposits.
1844 - - -	100	33 per cent.	1860 - -	200	17 per cent.
1845 - - -	100	33 „	1861 - -	233	14 „
1846 - - -	100	33 „	1862 - -	233	14 „
1847 - - -	100	33 „	1863 - -	233	14 „
1848 - - -	100	33 „	1864 - -	250	13½ „
1849 - - -	133	25 „	1865 - -	250	13½ „
1850 - - -	150	22½ „	1866 - -	300	11 „
1851 - - -	150	22½ „	1867 - -	300	11 „
1852 - - -	150	22½ „	1868 - -	316	10½ „
1853 - - -	150	22½ „	1869 - -	316	10½ „
1854 - - -	150	22½ „	1870 - -	300	10½ „
1855 - - -	150	22½ „	1871 - -	316	10½ „
1856 - - -	167	20 „	1872 - -	333	10 „
1857 - - -	200	17 „	1873 - -	333	10 „
1858 - - -	200	17 „	1874 - -	367	9 „
1859 - - -	200	17 „			

Appendix, No. 14.

RETURN of the DAILY CIRCULATION of the GREAT YARMOUTH BANK (Messrs. *Gurneys & Co.*) for the Months of December 1872 and January 1873.

			£.	£.				£.	£.
2 Dec.	1872	1	13,620		1 Jan.	1873	1	21,490	
		2	16,340	29,960			2	16,715	38,205
3 Dec.	„	1	13,490		2 Jan.	„	1	21,100	
		2	16,290	29,780			2	16,900	38,000
4 Dec.	„	1	14,070		3 Jan.	„	1	19,655	
		2	16,465	30,535			2	17,005	36,660
5 Dec.	„	1	15,180		4 Jan.	„	1	20,415	
		2	16,480	31,660			2	16,920	37,335
6 Dec.	„	1	14,110		6 Jan.	„	1	19,440	
		2	16,260	30,370			2	17,475	36,915
7 Dec.	„	1	13,885		7 Jan.	„	1	19,495	
		2	15,850	29,735			2	17,435	36,930
9 Dec.	„	1	13,010		8 Jan.	„	1	19,410	
		2	16,360	29,370			2	17,920	37,330
10 Dec.	„	1	13,840		9 Jan.	„	1	18,660	
		2	16,310	30,150			2	18,385	37,045
11 Dec.	„	1	15,375		10 Jan.	„	1	19,280	
		2	16,515	31,890			2	17,775	37,055
12 Dec.	„	1	17,120		11 Jan.	„	1	18,875	
		2	16,420	33,540			2	17,285	36,160
13 Dec.	„	1	20,920		13 Jan.	„	1	17,910	
		2	16,345	37,265			2	17,610	35,520
14 Dec.	„	1	24,190		14 Jan.	„	1	17,240	
		2	15,490	39,680			2	17,760	35,000
16 Dec.	„	1	24,235		15 Jan.	„	1	18,025	
		2	15,825	40,060			2	18,310	36,335
17 Dec.	„	1	26,340		16 Jan.	„	1	17,800	
		2	16,065	42,405			2	19,690	37,490
18 Dec.	„	1	27,200		17 Jan.	„	1	17,960	
		2	16,595	43,795			2	18,965	36,925
19 Dec.	„	1	28,800		18 Jan.	„	1	18,375	
		2	17,855	46,655			2	18,110	36,485
20 Dec.	„	1	30,600		20 Jan.	„	1	16,780	
		2	16,935	47,535			2	17,475	34,255
21 Dec.	„	1	29,020		21 Jan.	„	1	17,280	
		2	17,085	46,105			2	16,935	34,215
23 Dec.	„	1	27,930		22 Jan.	„	1	17,945	
		2	17,065	44,995			2	17,305	35,250
24 Dec.	„	1	26,155		23 Jan.	„	1	16,470	
		2	17,040	43,195			2	17,255	33,725
25 Dec.	„	Christmas Day.		—	24 Jan.	„	1	16,630	
							2	17,165	33,795
26 Dec.	„	Bank Holiday.		—	25 Jan.	„	1	16,610	
							2	16,800	33,410
27 Dec.	„	1	25,620		27 Jan.	„	1	15,995	
		2	16,595	42,215			2	16,830	32,825
28 Dec.	„	1	23,580		28 Jan.	„	1	16,440	
		2	16,495	40,075			2	17,275	33,715
30 Dec.	„	1	23,250		29 Jan.	„	1	17,025	
		2	16,040	39,290			2	17,520	34,545
31 Dec.	„	1	21,980		30 Jan.	„	1	17,845	
		2	16,195	38,175			2	17,285	35,130
Average for four weeks, ending 28 December				37,316	31 Jan.	„	1	17,885	
							2	16,785	34,670
					Average for four weeks, ending 25 January				36,312

Note.—Authorised limit of issue of "Yarmouth and Suffolk Bank," 53,060*l.*

No. 1.—Includes the circulation at four offices; three situated in fishing ports, one at an inland town in an agricultural district.

No. 2.—Includes the circulation at eight offices all situated in an agricultural district.

RETURN of the Daily Circulation of the Great Yarmouth Bank (Messrs. *Gurneys & Co.*) for the Months of December 1873 and January 1874.

			£.	£.				£.	£.
1 Dec.	1873	1	16,735		1 Jan.	1874	1	27,295	
		2	17,850	34,585			2	20,790	48,085
2 Dec.	„	1	17,625		2 Jan.	„	1	26,065	
		2	17,495	35,120			2	20,670	46,735
3 Dec.	„	1	17,735		3 Jan.	„	1	25,095	
		2	17,515	35,250			2	20,140	45,235
4 Dec.	„	1	17,325		5 Jan.	„	1	23,675	
		2	17,610	34,935			2	20,610	44,285
5 Dec.	„	1	17,380		6 Jan.	„	1	23,135	
		2	17,150	34,530			2	20,720	43,855
6 Dec.	„	1	17,575		7 Jan.	„	1	23,565	
		2	17,195	34,770			2	20,235	43,800
8 Dec.	„	1	16,990		8 Jan.	„	1	23,085	
		2	17,075	34,065			2	19,975	43,060
9 Dec.	„	1	17,470		9 Jan.	„	1	22,680	
		2	17,120	34,590			2	20,130	42,810
10 Dec.	„	1	18,135		10 Jan.	„	1	23,195	
		2	17,400	35,535			2	19,885	43,080
11 Dec.	„	1	18,625		12 Jan.	„	1	22,790	
		2	17,570	36,195			2	20,530	43,320
12 Dec.	„	1	21,835		13 Jan.	„	1	23,360	
		2	17,040	38,875			2	21,180	44,540
13 Dec.	„	1	19,115		14 Jan.	„	1	21,675	
		2	16,750	35,865			2	21,395	43,070
15 Dec.	„	1	16,805		15 Jan.	„	1	21,075	
		2	17,005	33,810			2	21,185	42,260
16 Dec.	„	1	30,225		16 Jan.	„	1	21,310	
		2	16,895	47,120			2	20,395	41,705
17 Dec.	„	1	25,760		17 Jan.	„	1	20,580	
		2	20,360	46,120			2	19,700	40,280
18 Dec.	„	1	46,395		19 Jan.	„	1	18,190	
		2	22,295	68,690			2	19,840	38,030
19 Dec.	„	1	43,045		20 Jan.	„	1	19,080	
		2	21,775	64,820			2	19,510	38,590
20 Dec.	„	1	38,450		21 Jan.	„	1	19,455	
		2	21,155	59,605			2	19,985	39,440
22 Dec.	„	1	43,020		22 Jan.	„	1	19,570	
		2	21,640	64,660			2	19,605	39,175
23 Dec.	„	1	38,125		23 Jan.	„	1	19,015	
		2	20,920	59,045			2	18,970	37,985
24 Dec.	„	1	36,745		24 Jan.	„	1	19,590	
		2	21,030	57,775			2	18,135	37,725
25 Dec.	„	Christmas Day.		—	26 Jan.	„	1	19,005	
							2	18,305	37,310
26 Dec.	„	Bank Holiday.		—	27 Jan.	„	1	18,890	
							2	18,335	37,225
27 Dec.	„	1	40,050		28 Jan.	„	1	18,795	
		2	20,770	60,820			2	19,065	37,860
29 Dec.	„	1	29,080		29 Jan.	„	1	18,125	
		2	20,080	49,160			2	19,035	37,160
30 Dec.	„	1	27,255		30 Jan.	„	1	18,425	
		2	20,830	48,085			2	18,525	36,950
31 Dec.	„	1	26,850		31 Jan.	„	1	18,260	
		2	20,730	47,580			2	17,405	35,665
Average for four weeks, ending 27 December - - -				44,153	Average for four weeks, ending 24 January - - -				42,995

Note.—Authorised limit of issue of "Yarmouth and Suffolk Bank," 53,060 *l.*

No. 1.—Includes the circulation at four offices; three situated in fishing ports, one at an inland town in an agricultural district.

No. 2.—Includes the circulation at eight offices, all situated in an agricultural district.

Appendix, No. 14.

RETURN of the Daily Circulation of the Great Yarmouth Bank (Messrs. *Gurneys & Co.*) for the Months of December 1874 and January 1875.

			£.	£.				£.	£.
1 Dec.	1874	1 -	17,050		1 Jan.	1875	1 -	24,925	
		2 -	17,585	34,635			2 -	19,535	44,460
2 Dec.	„	1 -	17,670		2 Jan.	„	1 -	25,330	
		2 -	17,405	35,075			2 -	19,575	44,905
3 Dec.	„	1 -	18,170		4 Jan.	„	1 -	24,205	
		2 -	17,820	35,990			2 -	20,070	44,275
4 Dec.	„	1 -	17,585		5 Jan.	„	1 -	23,460	
		2 -	17,710	35,295			2 -	20,365	43,825
5 Dec.	„	1 -	17,450		6 Jan.	„	1 -	23,105	
		2 -	17,530	34,980			2 -	20,575	43,680
7 Dec.	„	1 -	17,755		7 Jan.	„	1 -	23,070	
		2 -	17,575	35,330			2 -	20,820	43,890
8 Dec.	„	1 -	18,220		8 Jan.	„	1 -	23,065	
		2 -	18,110	36,330			2 -	20,530	43,595
9 Dec.	„	1 -	18,750		9 Jan.	„	1 -	22,230	
		2 -	17,875	36,625			2 -	19,975	42,205
10 Dec.	„	1 -	19,710		11 Jan.	„	1 -	22,930	
		2 -	17,670	37,380			2 -	20,650	43,580
11 Dec.	„	1 -	21,405		12 Jan.	„	1 -	21,090	
		2 -	17,275	38,680			2 -	20,695	41,785
12 Dec.	„	1 -	24,160		13 Jan.	„	1 -	22,145	
		2 -	17,275	41,435			2 -	20,780	42,925
14 Dec.	„	1 -	25,300		14 Jan.	„	1 -	21,025	
		2 -	18,590	43,890			2 -	20,815	41,840
15 Dec.	„	1 -	27,110		15 Jan.	„	1 -	21,565	
		2 -	18,760	45,870			2 -	20,570	42,135
16 Dec.	„	1 -	31,170		16 Jan.	„	1 -	21,890	
		2 -	19,015	50,185			2 -	19,990	41,880
17 Dec.	„	1 -	34,290		18 Jan.	„	1 -	21,460	
		2 -	18,965	53,255			2 -	19,925	41,385
18 Dec.	„	1 -	37,060		19 Jan.	„	1 -	21,205	
		2 -	18,220	55,280			2 -	19,975	41,180
19 Dec.	„	1 -	37,070		20 Jan.	„	1 -	21,785	
		2 -	18,175	55,245			2 -	20,735	42,520
21 Dec.	„	1 -	35,485		21 Jan.	„	1 -	20,160	
		2 -	18,290	53,775			2 -	20,395	40,555
22 Dec.	„	1 -	33,340		22 Jan.	„	1 -	20,450	
		2 -	18,630	51,970			2 -	19,640	40,090
23 Dec.	„	1 -	31,540		23 Jan.	„	1 -	19,250	
		2 -	18,600	50,140			2 -	19,360	38,610
24 Dec.	„	1 -	29,725		25 Jan.	„	1 -	19,120	
		2 -	18,480	48,205			2 -	19,545	38,665
25 Dec.	„	Christmas Day.		—	26 Jan.	„	1 -	18,953	
							2 -	19,375	38,330
26 Dec.	„	Bank Holiday.		—	27 Jan.	„	1 -	19,160	
							2 -	19,290	38,450
28 Dec.	„	1 -	27,575		28 Jan.	„	1 -	20,245	
		2 -	18,725	46,300			2 -	20,295	40,540
29 Dec.	„	1 -	26,580		29 Jan.	„	1 -	19,670	
		2 -	18,855	45,435			2 -	19,660	39,330
30 Dec.	„	1 -	26,290		30 Jan.	„	1 -	19,005	
		2 -	18,985	45,275			2 -	18,890	37,895
31 Dec.	„	1 -	25,555						
		2 -	19,225	44,780					
Average for four weeks, ending 26 December - - - -				42,935	Average for four weeks, ending 23 January - - - -				42,958

Note.—Authorised limit of issue of "Yarmouth and Suffolk Bank," 53,060 *l.*

No. 1.—Includes the circulation at four offices; three situated in fishing ports, one at an inland town in an agricultural district.

No. 2.—Includes the circulation at eight offices, all situated in an agricultural district.

(Translated from the Swedish.)

BANKING LAW OF SWEDEN.

1864.—Collection of Swedish Statutes.—No. 31.

His Royal Majesty's Gracious Proclamation respecting Private Banks with right to issue their own Bank Notes. Given at the Royal Palace of Stockholm, the 20th of May 1864.

We, Charles, by the Grace of God King of Sweden, Norway, the Goths and Vandals, give notice, that whereas the States of the Kingdom in their address of the 26th November 1863, presented to us the project of a law concerning private banks with the right to issue their own bank notes, upon which the highest courts of law gave their opinion, but we found ourselves hindered from accepting in an unaltered form that same project, which likewise comprised matters having the nature of civil law; we have taken into gracious consideration those parts of the said project which do not belong to civil law, and have thought proper, rescinding the Royal Proclamation of the 14th January 1824 respecting the establishment of private banks and discount offices, the Royal Proclamation of the 9th January 1846 respecting private banks which issue their own bank notes, and the Royal Proclamation of the 10th of November 1855 concerning certain alterations in and additions to the aforesaid proclamation of the year 1846, being mainly in accord with the project of the States of the Kingdom, to enact and direct for the information of those private banks of issue, which may hereafter establish or obtain the desired charter, as follows:—

Section 1.

Private persons desirous of entering into partnership for the object of carrying on banking business by means of an elected board of directors, with the right of issuing their own bank notes, shall make application to us for our gracious permission thereto, and at the same time hand in the rules and regulations adopted by the company. If they are found to be in accordance with this law and the common law and statutes in general, and we find the establishment of the bank to be beneficial to the country, a charter will be given to carry on banking business during a period of at most 10 years, reckoning from the opening of the bank.

If the banking company wishes to have the charter extended, it shall make application in the manner just stated 18 months before the current charter runs out.

Section 2.

The partners in such banking company shall be Swedish subjects to the number of at least 30, and they are responsible, one for all and all for one, for the fulfilment of all the engagements of the banking company. They are called partners with joint responsibility.

Section 3.

It is open to the partners with joint responsibility, for the purpose of increasing the capital of the bank, to unite with themselves shareholders whose responsibility for the engagements of the company is limited to the full amount of their shares. They are called shareholders with limited liability, and such may not be received into the company for more than at most the half of the amount which the partners with joint responsibility put into the capital.

Section 4.

The owner of shares with limited liability may not be allowed the right of taking part in any other resolution at the company's meetings than the election of auditors, to which office, however, they may be elected.

Section 5.*

Para. 1. A partner with unlimited liability, his heirs or sharers in his estate, shall not be entitled during the term of the charter to retire from the company, or transfer any of his shares to another person, unless the company consent thereto. A request on that account shall be made in writing to the directors, and taken into consideration at the ordinary meeting of the company, to be held in the business year next ensuing.

Para. 2.

* This section prevents any *speculative dealings* on the Stock Exchange in Bank shares, but it does not restrict them from being *readily saleable*.

Appendix, No 14.

Para. 2. Owners of shares with limited liability may transfer their shares to another person, after notice has been given to the directors of the company, due regard being had in other respects to the rules laid down by the company for such purpose.

Section 6.

When a partner with unlimited liability retires from the company, or a fresh partner of the same character joins it, notice thereof shall, after each ordinary meeting of the company, be given on the part of the directors to the local court of justice, so that an entry may be made in its register, and also advertised in the public newspapers.

Section 7.

Para. 1. A list of the whole, partners with joint responsibility as well as shareholders with limited liability, shall be kept at the bank, which list, moreover, shall contain a statement of the number of shares which each one holds.

Para. 2. In this list all duly made alterations in the right of ownership of the shares shall be immediately notified.

Para. 3. It is free to every one who so wishes, at such times as the bank is kept open for the public, to take note of this list, also upon payment of a fee, to obtain, for the sake of correctness, a certified extract therefrom by the proper official.

Section 8.

The rules of the company shall contain resolutions concerning the following principal subjects:—

a. The amount of the capital;

b. How far shareholders with limited liability may be admitted, and on what conditions, especially as to the share of the profits which shall come to them;

c. The grounds for exercising the right of voting at the company's meetings;

d. The number of directors on a board, which at the head office must at least be five;

e. The number of auditors and the time of the audits, which shall be performed annually;

f. The branches of the business of the bank; it being expressly enacted that neither its own share certificates nor those of other private banks may be accepted as security for advances;

g. The manner of effecting alterations in the company's rules;

h. The time of the ordinary meetings of the company, which shall be held at least once a year, and the conditions for calling together extraordinary meetings of the company;

i. The formation of a reserve fund, and the share of the annual profits, which shall be transferred thereto; and—

k. The terms upon which, taking into consideration what is hereinafter prescribed in Section 13, the registered bonds and interest bearing obligations shall be valued, which may be accepted as deposit for issued bank notes.

Section 9.

The capital of the banking company contributed by the partners with joint responsibility may not be under one million riksdaler riksmynt (55,555 *l.* 11 *s.* 1 *d.*)

Section 10.

Para. 1. This capital shall be fully paid up in the coin of the realm within one year, reckoning from the date of the bank being opened to the public, and the proportion thereof fixed hereinafter in Section 13 converted into bonds and deposited in a public place of safety, in accordance with what this law and the company's rules in other respects may more especially determine.

If the capital has not been contributed in the said manner within the period now fixed, the charter shall be forfeited.

Para. 2. If shareholders with limited liability have been admitted into the company, the amount by which the original capital is thus increased shall likewise be contributed within a year, reckoning from the date when the subscription opened on that account was closed.

Section 11.

The capital shall be divided into equal shares. The share certificate shall always be made out in favour of a person mentioned by name, and may not be issued before the capital in full has been contributed as enacted on that account in Section 10.

Section

Section 12.

The capital contributed may not be decreased by division, so long as the business of the bank continues, nor at its termination in a wider proportion than that the remainder fully corresponds with the amount of the company's circulating and current liabilities of all kinds.

Section 13.

Para. 1. The directors shall, in accordance with particular rules made by the company, convert at least 60, and at most 75 per cent. of the capital into public bonds of such a nature as is hereinafter stated.

Para. 2. These bonds shall consist at least in one-third part of readily saleable obligations, bearing interest, and for the remainder thereof, of bonds registered upon landed property in the country, within the half of the assessment value last determined, or in real property in a town, within the half, either of the value of the insurance against fire, or of the assessment value last determined; the buildings in town, however, in order to allow of the registration thereon being accepted as this security, must always be insured against fire in some fire insurance office in the country provided with rules and regulations duly granted.

Section 14.

Para. 1. The deposit of the bank shall be examined by delegates of the company, together with the governor of the province, or whoever he may appoint in his place to be present at the examination, and approved, when they are found to be of the nature mentioned in the foregoing section, and in other respects may be considered to contain full security.

Para. 2. The exchange of securities belonging to the deposit is dealt with in the very same way as at the first examination.

Section 15.

The deposit of the bank shall be deposited at the office of the Exchequer, or some public place of safety, in a box or chest furnished with two locks, to which the directors and a public officer chosen by the appointed commissioner shall have each his key.

Section 16.

Para. 1. The partners with joint responsibility in the banking company shall elect from among themselves a board of directors, who shall have the right, in accordance with the instructions which are issued by the company, and under such control by public authority as in that law is enacted, to manage the bank, and in every business lawfully to speak and answer for the company.

Para. 2. Every partner who is chosen to be a member of a board of directors shall deposit in the keeping of the bank, at least one share certificate, which shall not be delivered up from the bank so long as he remains a member of the board of directors.

Section 17.

Para. 1. A member of the board of directors may be removed from his office by a resolution duly passed at a meeting of the company.

Para. 2. If a director retires, he still remains responsible for the transactions in which he has taken part, until an ordinary meeting of the company, after an audit has taken place in the usual way, has assented to his release.

Section 18.

The names of the directors of a board, and of those persons who are entitled to sign the company's bank notes and other liabilities, shall, after every ordinary meeting of the company, also when any change in these respects has otherwise taken place, be notified to the appointed commissioner, and be inserted in the public journals.

Section 19.

It is incumbent upon the directors—

To keep the accounts and transactions of the bank, at any time whatever, accessible to the commissioner or his deputy, as well as for the special examination which we may think proper to order;

To draw up immediately after the close of each quarter, in the presence of the commissioner or his deputy, and thereupon without delay to send to the Minister of Finance, likewise to publish in the newspapers, a summary showing the state of the bank; this summary shall likewise contain a statement of the interest on loans and the discount which were current in the bank during the period comprised in the summary;*

To

* The Statement of the Swedish Banks, published quarterly, is in accordance with this section of the Statute.

Appendix, No. 14.

To advertise immediately in the public journals, so soon as an alteration in the interest on loans or the discount has been resolved upon;

To send into our finance department, after an audit has been performed, a report of the audit; likewise to have the same inserted in the public journals; and

To make themselves accurately acquainted with what this law enacts, and the company's rules, fixed by us, prescribe.

Should any deviation take place, and the circumstance, when observed, not be rectified within a month, it will rest with us, in a grave or important case, to declare the company to have forfeited the right to carry on banking business.

Section 20.

The relations of private persons to the bank may not be divulged to the public.

Section 21.

The head office of the bank may only be opened in a town.

Section 22.

It shall be notified by advertisement in the public journals when a bank starts its business, and information of the date when that takes place shall be sent to our finance department.

Section 23.

Before a bank commences business, it shall be proved before the commissioner,—

a. That the charter granted by us in favour of the company, as well as the rules of the company, have been produced in the original before the court of justice in the town where the company's head office is situated, and verbally entered in its register, and that the court has, at the company's expense, had an advertisement inserted in the public journals of the company having been formed.

b. That a list of the partners who, in accordance with this law, are jointly responsible for the company's engagements, has not only been delivered to the same court, and entered into its register, but also advertised in the public journals.

c. That at least 10 per cent. of the capital has been paid into the bank on its shares; also that the papers which the company has approved on examination have been delivered up to the bank in security thereof, and that the remainder of the capital will, according to Section 10, be paid to the bank within a year.

Section 24.

Before a bank commences to issue its own bank notes, it shall furthermore be proved before the commissioner,—

a. That the deposit of the bank, in value corresponding to at least 25 per cent. of the capital, has been deposited in the way prescribed at a public place of safety.

b. That proofs of the bank notes have been delivered to our finance department.

c. That the names of the persons who shall sign the bank notes has been inserted in the public newspapers.

Section 25.

Should shareholders with limited liability be taken into the company, after the banking company has fulfilled what has been said respecting the right to issue its own bank notes, the company, which wishes to base its issue of notes upon the increase thus obtained, shall be bound, before it can be considered entitled thereto, specially to prove before the commissioner that the deposit, corresponding to at least 60, and at the highest 75 per cent. of the increase, has been further deposited in the prescribed manner at a public place of safety.

Section 26.

The banking company, which is entitled to issue its own bank notes, may not issue, or in general business keep at one time in circulation a higher amount than when summed up in value corresponds to,—

a. The bonds deposited at a public place of safety, according to the accounts of the bank.

b. The cash in hand of the bank, consisting of the coin of the realm and notes of the bank of the kingdom.

c. Gold and silver, according to the rules of valuation, which is now or may hereafter be prescribed for the bank of the kingdom.

d. Balance of account with the bank of the kingdom.

e. The securities held by the bank for cash credits granted, and which are in their nature to be compared with the deposit of the bank, in the proportion that credits are solicited; still, never to a larger amount than corresponds to 50 per cent. of the entire capital of the bank.

Section

Section 27.

Para. 1. The bank notes shall be issued by the banking company in favour of the holder, to be cashed on demand without interest, and signed by at least two members of the board of directors and an officer of the bank who may be appointed thereto by the directors.

Bank notes may only run for 5, 10, 50, 100, and 500 rixdalers riksmynt, 5 *s.* 6 *d.*, 11 *s.* 8 *d.*, 2 *l.* 15 *s.* 6 *d.*, 5 *l.* 11 *s.* 2 *d.*, 27 *l.* 15 *s.* 6 *d.*

Para. 2. They shall in size and form be so manufactured that the paper for those of 5 and 10 riksdalers shall be 4½ inches in length and 2½ inches in breadth, for those of 50 and 100 riksdalers 5 inches in length and 4½ inches in breadth, and for those of 500 riksdalers 7½ inches in length and 4½ inches in breadth, in every way according to the Royal decree for weights and measures of the 31st January 1855.

Para. 3. The bank notes may be manufactured of paper without colour, still not like the notes of the bank of the States of the kingdom. As to the printing or engraving, that may rest with the company to determine; yet the value of the bank note must always be clearly expressed.

Section 28.

The bank note shall, when it is presented at the company's head office to be changed, be paid with coin of the realm or notes of the bank of the kingdom. If payment is refused, the holder of the bank notes shall be entitled, together with the principal sum, to obtain interest at the rate of 6 per cent. per annum from the date of payment having been refused until payment can be obtained.

Section 29.

Should the banking company fail in its duty to pay on demand the bank notes which it has issued, the holder, after a protest has been effected by a notary public, for which the cost shall be borne by the company, shall be entitled to make a report on the circumstances to the Commissioner, who, if it cannot be immediately proved that the hindrance originated in an accident, shall without delay make a report to us stating the circumstances, and in the meantime suspend the business of the bank. It will rest with us to decide how far the charter of the bank shall in such case become forfeited.

Section 30.

The banking company shall have the right, for the payment of its bank notes in circulation, to apply, if necessity so require it, after permission thereto has been obtained from the Commissioner, a greater or smaller part of the securities of the capital of the bank; in which case the banking company's right to issue notes shall be curtailed by the amount at which the sold securities were valued; but the banking company shall be obliged, as soon as it can possibly take place, to restore its securities to the proper amount.

Section 31.

Para. 1. An obligation bearing interest of a private bank, made out in favour of the holder, or to a certain person or order, may not run for a smaller amount than 500 riksdaler riksmynt.

Para. 2. A deposit receipt with or without interest shall be made out in favour of a certain person, and contain therein that a transfer thereof must be notified at the bank for the security of the new owner thereof.

Section 32.

Para. 1. The banking company shall be entitled to use printed or engraved forms, not only for bank notes, but also for bonds on account of loans, receipts, contracts, and quittances.

Para. 2. The receipts which are issued by a bank are only valid as quittances, but may not be transferred or circulated in business.

Section 33.

The banking company may not carry on business with anything else than gold and silver, home and foreign bills of exchange, and public stock bearing interest, nor become possessed of other real property than what is requisite for the bank premises; but it may not be hindered from purchasing mortgaged property which is sold by auction, whereby the rights and security of the bank may be concerned; still due regard thereto being had that such property shall be sold again as soon as it can take place without loss to the bank.

Section 34.

The banking company shall enjoy the same right to assistance in getting execution of a claim as is now or may be hereafter allowed to the bank of the kingdom; but legal proceedings on account of the claim shall be instituted within a month from the time of its having become due.

Appendix, No. 14.

Section 35.

If the banking company, according to the duly audited balance of any business year, has made such losses that the reserve fund of the bank and 10 per cent. of the capital, which the partners with joint responsibility have contributed, have been lost, then the bank shall be placed under sequestration, and the company be accordingly dissolved, so far as the company does not, at a meeting of the company called together for the purpose, declare itself willing, within three months, by means of the necessary additions to the shares, to restore the capital to its proper amount.

It is incumbent upon the Commissioners to watch carefully that such resolution of the meeting of the company be carried out within the said time. If it be not so done, the company shall be placed absolutely under sequestration and dissolved.

All persons who are concerned have to obey and be guided by this. For further certainty we have signed this with our own hand, and caused it to be confirmed with our Royal seal.

The Royal Palace of Stockholm, the 20th May 1864.

(signed) *Carl*, (L. S.) *J. A. Gripenstedt.*

AMENDMENTS in the BANKING LAW of *Sweden* decreed by the DIET, 12th June 1874.

AMENDMENTS will be found in the following Paragraphs.

Section 9.

The capital of the banking company contributed by the partners, with joint responsibility, may not be less than one million crowns (55,555 *l.* 11 *s.* 1 *d.*)

Section 12.

The capital contributed, as well as the reserve fund, which has been formed in accordance with the prescribed rules and regulations of the company, may not be decreased by division so long as the banking business continues, nor even at its termination, in a proportion greater than that the remainder fully corresponds with the amount of the company's circulating and current liabilities of every kind.

Section 13.

Art. 1. The directors shall, according to particular rules laid down by the company, convert at least 60 per cent. of the capital into public bonds, of such a nature as is hereinafter stated.

Art. 2. These bonds shall consist in at least one-half of readily saleable obligations bearing interest, and for the remainder thereof, of bonds registered upon landed property in the country, within one-half of the assessment valuation last made, or upon real property in a town within the one-half, either of the value of the insurance against fire, or of the assessment valuation last made; the buildings in towns, however, in order to allow of the registration thereon being accepted, as this class of security must always be insured against fire in some fire insurance office in the country provided with duly established rules and regulations.

Section 19.

It is incumbent upon the directors —

To keep the accounts and transactions of the bank, at any time whatever, accessible to the Commissioner of His Majesty's Government, or his deputy, as well as to the special examination of His Majesty's Government, or the authorities of our Finance Department, whenever those authorities may think proper to issue orders for the same;

To draw up immediately after the close of every month, in presence of the Commissioner of His Majesty's Government, or his deputy, according to a form to be furnished from our Finance Department, and thereupon to send without delay to the said department, a summary showing the position of the bank; this summary shall likewise contain a statement of the interest upon loans, together with the rate of discount which was current in the bank during the period comprised in the summaries;

To communicate, likewise, to the head of our Financial Department all the information concerning the bank in other respects which may be required by him;

To advertise immediately in the public journals, as soon as any alteration in the interest on loans, or the rate of discount, has been resolved upon;

To

To send in to our Finance Department, after an audit has been effected, a report of such audit, likewise to have the same inserted in the public journals; and,

To make themselves accurately acquainted with whatever this law enacts, and the company's rules and regulations fixed by His Majesty's Government prescribe.

Should any deviation take place from this law, or the company's prescribed rules and regulations, the regulations stated in Sections 26 and 29 shall be put in force. On the other hand, if the circumstance noticed be not rectified within a month, it will rest with His Majesty's Government to declare whether a grave and important deviation may not have caused the company to have forfeited the right to carry on banking business.

Section 22.

It shall be notified by advertisement in the public journals when a bank commences or closes its business, and information as to the date when the same takes place, shall be sent to our Finance Department.

Section 24.

Before a bank begins to issue its own bank notes, it shall further be proved before the Commissioner of His Majesty's Government, —

(*a.*) That the deposit of capital, corresponding to the amount stated in Section 13, has been deposited in public keeping in the mode prescribed;

(*b.*) That proofs of the bank notes have been delivered to our Finance Department;

(*c.*) That the names of the persons who shall sign the bank notes have been inserted in the public journals.

Section 26.

Art. 1. The banking company, which is entitled to issue its own bank notes, may not issue, or keep in general business at one time in circulation, a larger amount than when added together, corresponds to the value of, —

(*a.*) The bonds deposited at a public place of safety;

(*b.*) The reserve fund of the bank, so far as it consists of securities so constituted that they may be regarded as corresponding in value with bonds, and have been deposited in public keeping;

(*c.*) The securities held in the bank, but to a sum not exceeding, at furthest, 50 per cent. of the entire capital of the bank, provided that the funds at the head office, in lawful gold coin current in the realm, amount to 10 per cent. of the capital; and,

(*d.*) All the gold at the head office belonging to the bank which exceeds in value 10 per cent. of the capital, and consists of lawful gold coin current in the realm, as well as uncoined gold and foreign gold coin, according to the basis of calculation in force at the bank of the States of the realm.

Art. 2. If the right to issue notes belonging to a bank has been found to have been exceeded by it, the bank shall, if the matter has not been rectified within 10 days, forfeit to the State for every day that such excess of issue has taken place, the amount of 1,000 crowns (55 *l.* 11 *s.* 1 *d.*) If such an excess of issue of notes takes place frequently, it rests with His Majesty's Government to revoke the license granted to the bank to issue its own bank notes.

Section 27.

Art. 1. The bank notes shall be issued by the banking company, in favour of the holder, to be cashed on demand without interest, and signed by at least two members of the board of directors, and an official of the bank, who is to be appointed for the purpose by the directors.

Bank notes may only be issued for 50, 100, 500, and 1,000 crowns (2 *l.* 15 *s.* 6 *d.*, 5 *l.* 11 *s.* 2 *d.*, 27 *l.* 15 *s.* 6 *d.*, and 55 *l.* 11 *s.* 1 *d.*), and, until further notice, and until His Majesty's Government order otherwise, also for 10 and 5 crowns (11 *s.* 8 *d.* and 5 *s.* 6 *d.*).

Art. 2. The bank notes shall in size and form be so made that the paper for those of 5 and 10 crowns shall be 4½ inches in length and 2½ inches in breadth, for those of 50 and 100 crowns shall be 5 inches in length and 4½ inches in breadth, and for those of 500 and 1,000 crowns 7½ inches in length and 4½ inches in breadth, in every respect in accordance with the Royal decree for weights and measures of the 10th of November 1865.

Art. 3. The bank notes may be manufactured of uncoloured paper, but they must not resemble the notes of the bank of the States of the realm. The company may decide about the printing or engraving, but the value of the bank note must always be distinctly marked.

Section 28.

A bank note, when it is presented for payment at the head office of the bank, shall be paid unconditionally with lawful gold coin current in the realm. If payment is refused, the holders of bank notes are entitled to receive interest at 6 per cent. per annum, together with the principal, from the date on which payment was refused until payment can be obtained.

Appendix, No. 14.

Section 30.

The banking company shall have the right to apply, if need require, for the payment of its bank notes in circulation (after permission has been obtained for the purpose from the Commissioner of His Majesty's Government), a greater or smaller part of the securities of the capital of the bank; in which case, however, the right of the banking company to issue notes shall be curtailed by the amount at which the securities sold had been valued, and half as much again. But the banking company shall be bound to restore its securities to the proper amount as soon as it can possibly be done.

Section 31.

Art. 1. A private bank's obligation bearing interest issued in favour of the bearer, or for a certain person, or order, may not run for a less amount than 500 crowns (27 *l.* 15 *s.* 6 *d.*).

Section 35.

If a banking company according to the balance stated in its books duly audited at the close of any business year, has incurred such losses that the reserve fund of the bank and 10 per cent. of the capital (which the partners with joint responsibility have contributed) have been lost, the bank shall then be placed under sequestration, and the company dissolved accordingly, unless the company at a meeting convoked for the purpose without delay declares itself willing, within three months thereafter, by means of calling up additional capital on its shares, to restore the capital to its proper amount.

It is the duty of the Commissioner of His Majesty's Government to watch carefully that such resolution of the meeting be carried out within the said time. If it be not so done, the company is to be placed absolutely under sequestration, and dissolved.

(In answer to Question 5698.)

RULES for the Conduct of a CLEARING of COUNTRY CHEQUES in *London*.

1. A clearing to be held in the middle of each day for the interchange, among the London bankers, of cheques on their correspondents in the country, placed in their hands for collection.

2. Each London banker to remit for collection to his country correspondents the cheques drawn upon them, saying, "Please say if we may debit you £. for cheques enclosed."

3. Country bankers wishing to avail themselves of this clearing, to remit their country cheques to their own London agent, to stamp across them their own name and address and that of their London agent.

4. Any country bank not intending to pay a cheque sent to it for collection, to return it direct to the country bank, if any, whose name and address is stamped across it.

5. Each country banker to write by return of post to its London agent in reply, "We credit you £. for cheques forwarded to us for collection in yours of ;" adding, in case of non-payment of any such cheques, "having deducted £ for cheque returned to Messrs. at , and £. returned to Messrs. at ."

ESTIMATE made by Mr. *F. Hendriks*, Actuary of the Universal Life Assurance Society, 7 June 1875.

TOTAL GOLD COINAGE of *France*, *Italy*, and *Belgium*, now Current in those Countries, and in other Countries (*Switzerland*, *Hungary*, and *Austria*, &c.), which have signified their Adhesion to the MONETARY TREATY of December 1865.

	£.	£.
Estimated total in Pounds sterling		225,000,000
Basis of Estimate:		
Coinage of Gold in France (1832–74)		272,784,717
Belgium (1832–74)		11,795,457
Italy (1866–74)		1,916,884
		286,497,058
Deductions, for—		
(1) French Gold remitted to Germany in payment of War Indemnity, as per Mr. Say's Report	10,920,000	
(2) Recoinages of old and worn Gold, and Gold used in the Arts, &c., *i. e.*, Gold Coin consumed, exclusive of Gold Bullion	50,677,058	
		61,497,058
	£.	225,000,000

BRITISH GOLD COINAGE IN CIRCULATION IN 1875.

	£.
Gold (sovereigns and half-sovereigns), coined at the Royal Mint (1817–74)	212,950,000
Gold at Sydney Branch (1855–74)	35,857,000
Gold at Melbourne Branch (1872–74)	2,955,000
Total Gold coined in London since the establishment of a gold currency in 1817, and in Australia since the establishment of branch Mints there in 1855 and 1872	251,762,000
From the above must be *deducted* (1) the loss from fire and shipwreck, and from use in the arts and in manufactures, and from wear and tear of the coin in circulation in each of the 58 years, 1817–74; (2) the exceedingly large but unascertainable amount of melting for conversion into bullion, and for recoinages included in the above total statement in the case of English and Australian mintages, but not measurable at all as regards the reconversion of such mintages into foreign coin: (3) the deductions to be made for British gold coin manufactured for, or current with, legal or recognised tender, in the Brazils, Portugal, &c., and amongst travellers and in commerce in all parts of the world. All these special circumstances connected with the wear and tear, and wide and rapid circulation and use, of the British gold coinage leads to the inference that quite 60 per cent. of the total British and Australian mintages has disappeared from circulation; say, about	151,762,000
Leaving in Circulation in 1875 £.	100,000,000

Appendix, No. 14.

PORPORTION of DEPOSITS held by 36 ISSUING BANKS in *England* in 1874, as compared with 1844.

1844 - - - - - - - - - 100

1874.

1,245	555	425	307	248	196
690	507	406	300	239	175
674	501	381	294	237	175
642	477	348	272	235	173
600	450	328	261	217	160
580	438	327	250	209	143

Total Average, 1844 - - - - - - - - 100

„ „ 1874 - - - - - - - - 350

REPLIES received from 36 ISSUING JOINT STOCK BANKS in *England* and *Wales*, as to the proportion borne by their CIRCULATION to their DEPOSITS in the years 1844 and 1874, respectively.

1844.	1874.	1844.	1874.	1844.	1874.	1844.	1874.
Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
40	7½	22	5	14	5½	11½	2
35	6	22	1½	14	5	11	2½
34	4½	21½	1	13½	5	10½	5
33	11	20	5	13	4	10	2
33	8½	18½	6	12½	3	10	5
31	4	18	5	12	2½	9½	2
26	4	16½	6	12	5	9	3
25	5	15	2½	12	4	8	2½
24	16	14	4	11½	2	8	3

Total Average, 1844 - - - - - - - 17 Per cent.

„ „ 1874 - - - - - - - 4 „

REPLIES received from 36 ISSUING JOINT STOCK BANKS in *England* and *Wales* as to the Amounts of DEPOSITS held by them in the Years 1844 and 1874 respectively, and the Proportion borne by their CIRCULATION to their DEPOSITS at both Dates.

THIRTY-SIX BANKS.

YEAR.	Authorised Issue.	Deposits.	Proportion of Issue to Deposits.
	£.	£.	*Per Cent.*
1844 - - -	2,021,289	12,008,068	17
1874 - - -	Actual Issue: 1,746,245	42,342,294	4

PROPORTION of DEPOSITS in 1844 - - - 1844=100

to that in - - - 1874 - - - 1874=353

REPLIES received from 25 ISSUING BANKS in *England* and *Wales* as to the Proportion of their CAPITAL CIRCULATION in 1844 and 1874 respectively.

TWENTY-FIVE BANKS.

YEAR.	Authorised Issue.	Capital.	Proportion of Issue to Capital.
	£.	£.	*Per cent.*
1844 - - -	1,149,119	2,064,492	56
	Actual Issue:		
1874 - - -	949,758	7,223,323	13

STATEMENT as to the Position of 59 BANKS, ISSUING and NON-ISSUING, in *England* and *Wales* in 1875.

	£.	
Capital - - -	17,591,329	
Reserves - - -	7,649,731	
	25,241,060	
Deposits - - -	129,866,919	19¼ per cent. Proportion of Capital and Reserves to Deposits.
Acceptances and other Liabilities.	9,979,653	
Total Liabilities to the Public.	139,846,572	18 per cent. Proportion of Capital and Reserves to Total Liabilities.

REPLIES received from 21 ISSUING BANKS in *England* and *Wales* as to the Amounts of their CAPITAL and DEPOSITS, and CIRCULATION, 1844 and 1874respectively.

TWENTY-ONE BANKS.

YEAR.	Authorised Issue.	Capital.	Deposits.	Proportion of Capital to Deposits.
	£.	£.	£.	*Per Cent.*
1844 - - -	956,605	1,802,292	5,831,909	31
	Actual Issue;			
1874 - - -	766,177	6,130,107	25,009,113	24

Appendix, No. 15.

PAPERS handed in by Mr. *Palmer*.

— 1. —

(In answer to Question 7578.)

Forgeries Presented at the Bank.

Year.	£. 1.	£. 2.	£. 5.	£. 10.	£. 15.	£. 20.	£. 25.	£. 30.	£. 40.	£. 50.	£. 100.	Number of Notes.	Value.
													£.
1806 -	1,740	1,553	535	5	–	2	4	1	1	–	–	3,241	7,721
1807 -	3,016	1,123	384	7	–	1	4	2	1	–	–	4,540	7,489
1808 -	3,107	1,180	228	4	–	2	–	–	–	–	–	4,521	6,697
1809 -	4,390	1,420	236	4	–	–	2	5	–	–	–	6,057	8,550
1810 -	3,484	1,350	271	99	–	–	–	1	–	–	–	5,202	8,446
1811 -	4,825	2,580	492	136	1	7	1	2	–	–	–	8,044	14,045
1812 -	11,682	3,894	1,049	177	–	33	2	–	1	–	–	16,838	27,235
1813 -	10,530	2,905	693	35	–	3	–	1	1	–	–	14,171	20,291
1814 -	9,973	3,165	951	38	–	12	1	–	–	–	–	14,142	21,705
1815 -	12,711	2,522	696	41	1	1	–	–	–	1	–	15,973	21,730
1816 -	20,024	2,032	639	20	–	5	9	9	4	2	1	22,748	28,438
1817 -	26,179	1,718	786	51	–	1	1	–	–	–	–	28,706	33,950
1818 -	25,817	788	740	55	–	9	–	–	–	–	–	27,409	31,823
1819 -	21,340	875	704	88	–	28	–	–	–	–	–	23,035	28,050
1820 -	27,993	217	745	103	–	25	–	–	–	–	–	29,083	33,682
1821 -	17,389	152	507	72	–	6	–	–	–	–	–	18,126	21,068
1822 -	3,125	97	352	61	–	7	–	–	–	–	–	3,642	5,829
1823 -	1,347	60	214	19	–	–	1	7	–	–	–	1,648	2,962
1824 -	785	47	95	18	–	1	6	8	2	3	–	965	2,174
1825 -	579	61	121	9	–	–	–	–	–	–	–	770	1,396
1826 -	1,601	55	345	29	–	3	2	–	1	2	–	2,038	3,976
1827 -	1,695	43	265	35	–	–	–	–	–	–	–	2,038	3,456
1828 -	722	33	348	53	–	4	–	–	–	–	–	1,170	3,238
1829 -	613	30	431	40	–	3	–	–	–	–	–	1,117	3,288
1830 -	273	23	279	37	–	–	1	–	–	–	–	613	2,109
1831 -	190	28	133	11	–	2	–	–	–	–	–	364	1,061
1832 -	225	13	159	27	–	–	–	–	–	–	–	424	1,316
1833 -	223	24	120	57	–	15	–	–	–	8	–	447	2,141
1834 -	169	22	50	13	–	7	–	–	1	–	–	262	783
1835 -	148	24	52	15	–	34	–	–	6	–	–	279	1,586
1836 -	129	18	52	9	–	8	–	–	7	–	–	223	1,025
1837 -	182	18	77	16	–	2	–	–	–	–	25/200	296	828
1838 -	169	12	60	9	1	1	2	–	–	–	–	254	668
1839 -	154	18	96	19	–	1	–	–	1 (Bank Post).	2	1	292	1,120
1840 -	157	19	126	26	–	–	–	–	–	–	–	328	1,085

Forgeries Presented at the Bank—*continued.*

Year.	£. 1.	£. 2.	£. 5.	£. 10.	£. 15.	£. 20.	£. 25.	£. 30.	£. 40.	£. 50.	£. 100.	£. 200.	£. 500.	Number of Notes.	Value.
															£.
1841 -	172	18	58	9	–	–	–	–	–	–	–	–	–	257	588
1842 -	127	21	79	7	–	1	–	–	–	–	–	–	–	235	654
1843 -	151	18	38	5	–	–	–	–	–	–	–	–	–	212	427
1844 -	144	20	32	3	–	–	–	–	–	–	(In Oct.) 22	–	–	221	2,580
1845 -	130	14	34	3	–	–	–	–	–	1	–	–	–	182	408
1846 -	107	8	63	4	2	2	–	–	–	1	2	–	–	189	798
1847 -	145	13	63	2	–	5	–	–	–	–	–	–	–	228	606
1848 -	169	15	214	11	–	–	–	–	–	–	–	–	–	409	1,379
1849 -	118	18	109	65	–	–	–	–	–	–	–	–	–	310	1,349
1850 -	125	11	47	11	–	1	–	–	–	–	–	–	–	195	512
1851 -	109	12	110	53	–	–	–	–	–	–	–	–	–	284	1,213
1852 -	116	19	132	68	–	–	–	–	–	–	–	–	–	335	1,521
1853 -	119	8	202	100	–	–	–	–	–	–	–	1	1	431	2,845
1854 -	117	11	186	54	–	–	–	–	–	–	–	–	–	368	1,608
1855 -	108	14	415	150	–	24	–	–	–	–	–	–	–	711	4,191
1856 -	93	17	379	63	–	–	–	–	–	–	–	–	–	552	2,052
1857 -	93	16	256	59	–	1	–	–	–	–	–	–	–	425	2,015
1858 -	83	9	162	79	–	2	–	–	–	1	–	–	–	336	1,791
1859 -	84	8	108	62	–	–	–	–	–	–	–	–	–	262	1,260
1860 -	76	10	312	91	–	1	–	–	–	–	–	–	–	490	2,586
1861 -	149	11	203	65	–	1	–	–	–	–	–	–	–	429	1,856
1862 -	79	7	147	63	–	–	–	–	–	–	–	–	–	296	1,458
1863* -	66	9	36	12	–	1	–	–	–	–	–	–	–	124	404
1864 -	78	1	18	4	–	–	1	–	–	1	–	–	–	103	285
1865 -	79	5	19	10	–	–	–	–	–	1	–	–	–	114	334
1866 -	94	2	16	4	–	–	–	–	–	–	–	–	–	116	218
1867 -	75	7	11	7	–	2	–	–	–	–	–	–	–	102	254
1868 -	85	6	23	2	–	1	–	–	–	–	–	–	–	117	252
1869 -	67	6	29	2	–	3	4	3	–	–	–	–	–	114	494
1870 -	52	–	18	–	–	–	–	–	–	–	–	–	–	70	142
1871 -	50	8	19	6	–	–	–	–	–	–	–	–	1/1,000	84	1,221
1872 -	46	6	17	2	–	–	–	–	–	–	–	–	–	71	163
1873 -	32	3	7	10	–	–	–	–	–	–	–	–	–	52	173
1874 -	56	2	27	6	–	1	–	–	–	–	–	1	–	93	475

* On bank note paper, five of 5 *l.*

Bank of England, 24 July 1875.

Appendix, No. 15.

— 2. —

(In Answer to Question 7739.)

STATEMENT showing the PROFIT to the BANK of ENGLAND arising out of the ISSUE DEPARTMENT for the Year 1875.

RECEIPTS:	£.
Interest on securities	458,035
*Profit on bullion	32,433
£.	490,468

PAYMENTS:	
Composition in lieu of stamps	60,000
Her Majesty's Exchequer	138,578
Country bankers (lapsed issues)	18,860
Bank note paper	18,022
Wages, pensions; rent, machinery, and general charges	147,300
Balance of profit	107,708
£.	490,468

* The average profits on bullion for the 10 years, 1865 to 1874, were 14,900 *l.* per annum.

Bank of England,
27 July 1875.

— 3. —

(In Answer to Question 7740.)

THE terms of absorption by the Bank of England of the issues of other banks are in accordance with the 24th section of the Act 7 & 8 Vict. c. 32, which enacts: "That it shall be lawful for the said Governor and Company to agree with every banker who, under the provisions of this Act, shall be entitled to issue bank notes, to allow to such banker a composition at the rate of one per centum per annum on the amount of Bank of England notes which shall be issued and kept in circulation by such banker as a consideration for his relinquishment of the privilege of issuing his own bank notes."

Bank of England,
27 July 1875.

Appendix, No. 16.

PAPER handed in by Mr. *Dun*, 1 July 1875.—(In Answer to Question 6252.) Appendix, No. 16.

VIEW OF LAPSED ISSUES—(Compiled from Bankers' Almanac for 1875.)

CAUSE.	PRIVATE BANKS.		JOINT STOCK BANKS.		TOGETHER.	
	Number of Issuers.	Amount.	Number of Issuers.	Amount.	Number of Issuers.	Amount.
		£.		£.		£.
Bankrupt or stopped payment - -	31	532,581	2	48,101	33	580,682
Closed or dissolved - - - -	10	84,741	7	169,589	17	254,330
Arranged to issue Bank of England notes - - - - - - - -	12	194,992	–	- -	12	194,992
Ceased to issue (no reason named) -	6	82,592	–	- -	6	82,592
Ditto - - opened in London -	–	- -	1	442,371	1	442,371
Amalgamated or transferred business -	26	388,129	8	182,392	34	570,521
	85	1,283,035	18	842,453	103	2,125,488

Appendix, No. 17.

RETURN of the TOTAL AMOUNT of the WORKING EXPENSES of the JOINT STOCK BANKS in *England*, *Scotland*, and *Ireland*, distinguishing between Rent or Interest on Money expended in Buildings and other Expenses, and omitting Interest on Capital and Reserves.

(Ordered by the Committee, 17th June 1875.)

ENGLISH JOINT STOCK BANKS OF ISSUE.

—	Working Expenses, excluding Rent, Interest on Building Account, and other Expenses, and omitting Interest on Capital and Reserves.	Rents Paid.	Interest at 4 per Cent. on Money Expended on Buildings.	Total Expenses.	REMARKS.
BANKS OF ISSUE:	£. s. d.	£. s. d.	£. s. d.	£. s. d.	
No. 1 -	52,609 18 7	2,900 6 2	- - -	55,510 4 9	—
No. 2 -	14,352 2 10	170 - -	1,862 1 6	16,384 4 4	—
No. 3 -	7,920 17 -	- Nil -	466 8 -	* 8,387 5 -	* This sum includes 1,354 *l.* 11 *s.* 3 *d.* the amount of agents' commission English, Scotch, and Irish.
No. 4 -	870 4 1	60 - -	- - -	930 4 1	—
No. 5 -	* 4,542 12 2	- Nil -	160 - -	4,702 12 2	* This sum includes salaries, rate stationery, London bankers' cheque &c.
No. 6 -	* 1,299 13 1	- - -	- - -	1,299 13 1	The Bank buildings originally cost 3,000 which sum has been reduced out of th yearly profits of the Bank to 1,000 *l.*, which sum it now stands on the books the Company. * This sum includes salaries, 855 *l.*; dire tors, 200 *l.*; and working expense 244 *l.* 13 *s.* 1 *d.*
No. 7 -	* 2,196 1 -	- - -	220 19 2	2,417 - 2	* This sum includes 50 *l.* 4 *s.* 6 composition for duty on unstamp notes and drafts.
No. 8 -	3,130 15 11	- Nil -	200 - -	3,330 15 11	—
No. 9 -	5,012 13 -	80 9 5	290 12 -	5,383 14 5	—
No. 10 -	5,160 - -	Freehold	- - -	5,160 - -	—
No. 11 -	9,634 8 -	- - -	800 - -	10,434 8 -	The Bank premises are the proper of the Company.
No. 12 -	20,171 - -	63 - -	1,608 - -	21,842 - -	—
No. 13 -	6,763 3 7	843 12 -	- - -	7,606 15 7	—
No. 14 -	* 3,366 - -	22 14 -	† 384 4 -	3,750 4 -	* This amount includes salaries and dire tors' fees, 2,422 *l.* 10 *s.*; stationery, & 920 *l.* 16 *s.*; and rent at one branc 22 *l.* 14 *s.* † Bank buildings valued at 9,605 *l.*
No. 15 -	15,893 - -	535 - -	1,070 - -	17,498 - -	—
No. 16 -	9,158 4 -	70 - -	- - -	9,228 4 -	The money expended on buildings by th Company was taken from profits fro time to time before declaring dividend.
No. 17 -	32,616 - -	1,138 - -	1,940 - -	35,694 - -	—
No. 18 -	3,045 2 8	- - -	250 - -	3,295 2 8	—

English Joint Stock Banks of Issue—*continued.*

—	Working Expenses, excluding Rent, Interest on Building Account, and other Expenses, and omitting Interest on Capital and Reserves.	Rents Paid.	Interest at 4 per Cent. on Money Expended on Buildings.	Total Expenses.	REMARKS.
Banks of Issue—*continued.*	£. s. d.	£. s. d.	£. s. d.	£. s. d.	
No. 19 -	1,790 19 3	- - -	- - -	1,790 19 3	—
No. 20 -	4,041 16 11	- - -	- - -	4,041 16 11	—
No. 21 -	3,423 9 7	- - -	120 - -	3,543 9 7	—
No. 22 -	4,172 15 7	195 10 11	- - -	4,368 6 6	—
No. 23 -	4,697 - -	- - -	369 - -	5,066 - -	—
No. 24 -	11,811 6 10	*114 12 -	No Interest charged.	11,925 18 10	Interest charged on money expended for the buildings, as it is the practice to gradually liquidate the cost of the same by half yearly instalments out of the gross profits. * Rent paid for premises at one of our branches, and the buildings at head office, and the other branches being the property of the bank.
No. 25 -	19,089 - -	260 - -	1,920 - -	21,269 - -	The original cost of the bank buildings has been reduced by 30,000 *l.*, being appropriation, from time to time, out of the Bank profits.
No. 26 (*a*)	*33,205 -	1,641 - -	1,883 - -	36,729 - -	* This amount includes an exceptional charge of 1,926 *l.* which will not occur again, and it would therefore be nearer the mark to place our average and regular working expenses at about 35,000 *l.* a-year.
No. 27 -	31,787 - -	263 - -	1,639 - -	33,689 - -	—
No. 28 -	9,405 12 5	544 11 8	474 5 -	9,950 4 1	The difference between the interest on Building Account and the rents charged is placed to the credit of the Building Accounts in reduction of that account.
	Rent paid	39 11 8			
	Rent charged	505 - -			
No. 29 -	10,035 9 6	- - -	800 - -	10,835 9 6	—
No. 30 -	13,952 16 8	- - -	980 - -	14,932 16 8	—
No. 31 -	10,182 - -	97 - -	512 - -	10,791 - -	—
No. 32 -	11,208 1 -	124 19 9	720 - -	12,053 - 9	—
No. 33 -	11,201 3 8	35 3 2	- - -	11,236 6 10	—
No. 34 -	8,830 19 4	326 7 2	400 - -	9,557 6 6	Head office and one branch.
No. 35 -	4,887 - -	- - -	826 - -	5,713 - -	—
No. 36 -	3,251 - -	51 - -	720 - -	4,022 - -	—

19 Banks of Issue have sent no reply.

ENGLISH JOINT STOCK BANKS OF NON-ISSUE.

Banks of Non-Issue:	£. s. d.	£. s. d.	£. s. d.	£. s. d.	
No. 1 -	*7,259 6 3	509 7 4	970 2 -	8,738 15 7	* This includes directors' fees, legal expenses, and charges for repairs on buildings.
No. 2 -	17,496 1 6	989 11 8 (Ground-rent.)	1,225 7 2	19,711 - 4	—
No. 3 -	11,952 4 9	- - -	856 19 2	12,809 3 11	—
No. 4 -	21,043 3 2	313 5 9	1,000 - -	22,356 8 11	—
No. 5 -	98,534 4 -	1,788 15 -	11,204 9 8	111,527 8 8	—

(*a*) If the fees ordered to be paid by the shareholders to the directors after the divisible profits for the year have been ascertained and declared are to be treated as working expenses, there would have to be added to the above total, 4,500 *l.*
Income tax was also paid on profits, not included in above total, being uncertain how to deal with it. It amounted to 674 *l.*

English Joint Stock Banks of Non-Issue—*continued.*

—	Working Expenses, excluding Rent, Interest on Building Account, and other Expenses, and omitting Interest on Capital and Reserves.	Rents Paid.	Interest at 4 per Cent. on Money Expended on Buildings.	Total Expenses.	REMARKS.
Banks of Non-Issue—*continued.*	£. s. d.	£. s. d.	£. s. d.	£. s. d.	
No. 6 -	87,890 – –	935 – –	- - -	88,825 – –	No interest is charged on money expended on buildings, but an amount is written off the Buildings Account annually until such account shall be extinguished. This amount is included in the sum of 87,890
No. 7 -	8,399 18 8	66 – – (Per annum for two branch banks.)	1,000 – – (A Head Office premises.)	9,465 18 8	Income Tax and Municipal Rates are excluded from this Return.
No. 8 -	16,657 14 5	- - -	1,000 – –	17,657 14 5	——
No. 9 -	20,049 16 4	- - 2,254 *l.*	- -	20,303 16 4	——
No. 10 -	9,601 9 6	1,800 – –	- - -	11,693 18 7	Taxes, 292 *l.* 9 *s.* 1 *d.*
No. 11 -	8,940 – 6	1,400 – –	- - -	10,340 – 6	——
No. 12 -	90,482 6 7	- - 6,058 *l.* 1 *s.* 5 *d.*	- -	96,540 8 –	——
No. 13 -	19,557 15 8	- - -	- - -	19,557 15 8	The Bank occupies its own buildings, which are all paid for, and it does not make any annual charge for rent or interest.
No. 14 -	1,711 – 1	- - -	175 – –	1,886 – 1	——
No. 15 -	33,381 13 9	3,708 7 5	- - -	37,090 1 2	——
No. 16 -	13,034 – –	- - -	800 – –	13,834 – –	——
No. 17 -	1,145 12 5	15 – –	89 15 –	1,250 7 5	——
No. 18 -	*21,089 15 9	6,500 – –	- - -	27,589 15 9	* This sum includes salaries, taxes, stationery, law charges, income tax, directors' remuneration, and general expenses for 1874.
No. 19 -	4,986 – –	95 – –	230 – –	5,311 – –	——
No. 20 -	1,095 15 5	44 – –	- - -	1,139 15 5	——
No. 21 -	2,850 – –	- - -	250 – –	3,100 – –	——
No. 22 -	2,780 2 5	170 – –	160 – –	3,110 2 5	——
No. 23 -	34,851 – –	1,490 – –	2,328 – –	38,669 – –	One important item of expense to English banks is the interest lost on the balances of cash in their hands, or lying at their credit with the branches of the Bank of England. The amount of such idle balances in the case of this bank is above 300,000 *l.*
No. 24 -	31,266 2 5	735 9 –	1,457 – –	33,458 11 5	This represents expenditure at head office and 29 branches.
No. 25 -	272,133 – –	9,769 – –	16,995 – –	298,897 – –	——
No. 26 -	13,578 6 10	1,515 5 8	800 – –	15,893 12 6	——
No. 27 -	2,830 – –	100 – –	240 – –	3,170 – –	——
No. 28 -	8,741 19 2	633 18 2	809 13 6	10,185 10 10	——
No. 29 -	5,364 14 2	- - -	708 – –	6,072 14 2	——
No. 30 -	*49,251 8 3	2,362 17 9 (Including rates, taxes, and insurance.)	†1,082 13 6 (Including furniture.)	54,696 19 6	*This sum includes salaries, 35,486 *l.* 12 *s.* 2 *d.* and other expenses, 15,764 *l.* 16 *s.* 1 *d.* † This is calculated for this Return, but is not extracted from the bank books, in which no interest is charged on the item.
No. 31 -	9,106 17 7	940 3 10	654 – –	10,300 6 11	——
	Less rent received	400 14 6			
		539 9 4			

English Joint Stock Banks of Non-Issue—*continued.*

—	Working Expenses, excluding Rent, Interest on Building Account, and other Expenses, and omitting Interest on Capital and Reserves.	Rents Paid.	Interest at 4 per Cent. on Money Expended on Buildings.	Total Expenses.	REMARKS.
Banks of Non-Issue—*continued.*	£. s. d.	£. s. d.	£. s. d.	£. s. d.	
No. 32 -	11,276 12 2	- - -	567 - -	11,843 12 2	—
No. 33 -	1,004 - -	45 - -	- - -	1,049 - -	—
No. 34 -	21,200 19 8	1,210 - -	947 4 -	23,358 3 8	—
No. 35 -	11,125 - -	440 - -	904 - -	12,469 - -	—
No. 36 -	5,055 19 9	111 - -	- - -	5,166 19 9	Interest is not charged on the bank buildings account. The amount at foot is the amount of interest at 4 per cent. for 1874, on the sum at debit of bank buildings account, 504 *l.* 14 *s.* 6 *d.*
No. 37 -	217,482 14 2	11,769 11 4	16,306 4 2	245,558 9 8	—
No. 38 -	*22,924 - -	†1,300 - -	- - -	24,224 - -	* This includes the remuneration to the directors, which varies with the profits of the bank. † Rent, 1,100 *l.*, and taxes, 200 *l.*
No. 39 -	9,066 7 -	295 - -	275 - -	9,636 7 -	—
No. 40 -	909 4 11	60 - -	- - -	969 4 11	—
No. 41 -	10,019 9 11	76 - -	406 - -	10,501 9 11	—
No. 42 -	6,822 13 4	439 - -	740 - -	8,001 13 4	—
No. 43 -	9,826 5 2	105 - -	540 - -	10,471 5 2	—
			7,230 1 9		
		Less Rents received for portions of premises -	2,097 - -		
No. 44 -	21,325 - -	800 - -	5,133 1 9	27,258 1 9	—
No. 45 -	7,969 1 8	515 12 8	279 - -	8,763 14 4	—

22 Banks of Non-Issue have sent no reply.

IRISH JOINT STOCK BANKS OF ISSUE.

Banks of Issue.	£. s. d.	£ s. d.	£. s. d.	£. s. d.	
No. 1 -	123,495 - -	2,583 6 6	3,034 3 2	129,112 9 8	—
No. 2 -	82,152 - -	2,222 - -	6,690 - -	91,064 - -	—
No. 3 -	36,082 - -	1,455 - -	1,476 - -	39,013 - -	—
No. 4 -	38,639 13 6	1,820 1 1	4,627 17 9	45,087 12 4	—
No. 5 -	47,964 3 11	1,048 8 8	3,939 16 9	52,952 9 4	—

One Irish Bank of Issue has sent no reply.

IRISH JOINT STOCK BANKS OF NON-ISSUE.

—	Working Expenses, excluding Rent, Interest on Building Account, and other Expenses, and omitting Interest on Capital and Reserves.	Rents Paid.	Interest at 4 per Cent. on Money Expended on Buildings.	Total Expenses.	REMARKS.
Banks of Non-Issue.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	
No. 1 -	20,890 – –	*570 – –	Would be 1,046 *l.* on the present amount, but is not charged.	21,460 – –	* This item of 570 *l.* is reduced by 454 *l.* received from the bank's tenants on portions of the premises occupied by them.
No. 2 -	27,673 13 –	3,196 18 8	2,185 9 10 (calculated at 4 per cent. on daily balance of this account).	30,870 11 8	Interest is not charged on the bank premises account, but using the best judgment in the matter, the Board of Management in submitting the Annual Report to the Proprietors, recommends a sum to be placed to credit of Bank Premises Account, from out of profits, in reduction of cost of such premises; not every year, but nearly every year.
No. 3 -	37,472 6 9	2,947 8 6	1,320 – –	41,739 15 3	—

SCOTCH JOINT STOCK BANKS OF ISSUE.

Banks of Issue:	£. s. d.	£. s. d.	£. s. d.	£. s. d.	
No. 1 -	96,820 – –	1,953 – –	4,948 – –	103,721 – –	The working expenses include the expense attending the circulation of the bank's notes.
No. 2 -	81,059 8 8	848 – –	5,221 11 6	87,129 – 2	The return made includes charges connected with the bank's circulation, and income tax on shareholders' dividends.
No. 3 -	104,480 – –	1,737	6,362 – –	112,579 – –	The sums in the first and fourth columns include the stamp duty and licenses paid for the note issues, and the whole expense of maintaining the note circulation.
No. 4 -	105,681 – –	2,349 – –	7,823 – –	115,853 – –	These figures exhibit the total working expenses for the year ending 28th February 1875, including cost of circulation, income tax, pensions, &c.
No. 5 -	107,872 – –	2,568 – –	6,864 – –	117,304 – –	The working expenses returned embrace expenses of every kind connected with the business of the bank, including the expense of the circulation of notes, income tax, commissions to London and other correspondents, and pensions to retired officers.
No. 6 -	91,571 5 8	2,150 5 –	*5,023 3 10	98,744 14 6	* Interest at 4 per cent. on 148,427 *l.* – *s.* 9 *d.*, amount at debit of bank buildings as at balance on 31st October 1874 - - - - £. 5,937 1 7 Less, rents received for part of buildings let to tenants - 913 17 9 £. 5,023 3 10
No. 7 -	19,833 11 7	464 17 4	1,477 16 2	21,776 5 1	—
No. 8 -	66454 4 11	1,607 12 11	4,443 11 3	72,505 9 1	In the first item is included the whole expense of our note circulation, stamp duty, and licenses paid to Government.
No. 9 -	105,193 9 10	4,584 8 –	6,881 8 –	116,658 18 6	—
No. 10 -	*13,006 5 8	247 18 9	1,052 7 6	14,306 11 11	* Which includes the following heads of Expenses: Expenses of notes and licenses, salaries, directors' allowance, taxes, including tax on buildings, fire and light, books and stationery, postages, carriage of money, sundries, travelling expenses, law expenses, and pensions.
No. 11 -	25,705 – –	575 – –	* 1,600 – –	27,880 – –	* £32,000 have been written off the account for buildings occupied by the bank.

Appendix, No. 18.

RETURN supplied in Answer to a Circular of the Chairman of the Select Committee on Banks of Issue, addressed to every BANK in *England* and *Ireland*, requesting Information as to the comparative working of the ENGLISH, SCOTCH, and IRISH SYSTEM of BANKING respectively, and the Amount of Accommodation which they afford to the Public.

— No. 1. —

BANKS.	No.	Returns: Sent.	Returns: Not sent.	CAPITAL. Subscribed.	CAPITAL. Paid up.	Rest or Reserve of Undivided Profits.	DEPOSITS. Public.	DEPOSITS. Banks.	DEPOSITS. TOTAL.
LONDON BANKS:				£.	£.	£.	£.	£.	£.
Joint Stock - - -	29	19	10	37,723,600	13,805,074	4,033,410	108,235,092	6,623,366	114,858,458
Private - - - -	60	19	41	- -	- -	- -	31,803,561	7,164,820	38,968,381
TOTAL - - -	89	38	51	37,723,600	13,805,074	4,033,410	140,038,653	13,788,186	153,826,839
COUNTRY BANKS:									
Joint Stock - - -	120	105	15	68,329,805	28,637,257	12,402,553	149,835,610†	2,004,742†	230,241,352‡
Private - - - -	192	143	49	- -	- -	- -	60,525,661	147,806	60,673,467
TOTAL - - -	312	248	64	68,329,805	28,637,257	12,402,553	210,361,271†	2,152,548†	290,914,819‡
GRAND TOTAL - - -	401	286	115	106,053,405*	42,442,331	16,435,963	350,399,924†	15,940,734†	444,741,658‡

* Does not include the capital subscribed to the Scotch banks, of which 9,697,000 *l.* has been paid up.
† Excluding deposits of Scotch banks, amounting to 78,401,000 *l.*, whose returns do not distinguish between public and bank deposits. They are, however, included in the total deposits in the last column.
‡ Including 78,401,000 *l.* deposits in Scotch banks, which are not included in the two preceding columns.

Note.—As so large a proportion of the returns has been sent in anonymously, distinct returns cannot be given for England, Scotland, and Ireland. *See*, however, separate return, with its note.

— No. 2. —

BANKS.	No.	Returns. Sent.	Returns. Not sent.	CAPITAL. Subscribed.	CAPITAL. Paid up.	Rest or Reserve of Undivided Profits.	DEPOSITS. Public.	DEPOSITS. Banks.	DEPOSITS. TOTAL.
LONDON BANKS:				£.	£.	£.	£.	£.	£.
Joint Stock - - -	29	19	10	37,723,600	13,805,074	4,033,410	108,235,092	6,623,366	114,858,458
Private - - - -	60	19	41	- -	- -	- -	31,803,561	7,164,820	38,968,381
TOTAL LONDON BANKS -	89	38	51	37,723,600	13,805,074	4,033,410	140,038,653	13,788,653	153,826,839
COUNTRY BANKS:									
Joint Stock, England -	99	88	11	60,329,805	13,750,257	8,942,418	118,053,863	1,708,617	119,762,480
„ Scotland -	12	11	1	- -	9,697,000	1,134,000	- -	- -	78,401,000
„ Ireland -	9	8	1	8,000,000	5,190,000	2,326,135	31,781,747	296,125	32,077,872
Private, England - -	189	143	46	- -	- -	- -	60,525,661	147,806	60,673,467
„ Ireland - -	3	-	3	—	—	—	—	—	—
TOTAL COUNTRY BANKS -	312	248	64	68,329,805	28,637,257	12,402,553	210,361,271	2,152,548	290,914,819
GRAND TOTALS - -	401	286	115	106,053,405	42,442,331	16,435,963	350,399,924	15,940,734	444,741,658

Note.—This return must be looked upon as to some extent conjectural, as the missing Irish Returns may possibly have been sent in anonymously, and posted in England, so that the postmark would give no indication of their origin.

INDEX.

ANALYSIS OF INDEX.

LIST of the PRINCIPAL HEADINGS in the following INDEX, with the Pages at which they may be found.

PAGE

Abolition of Local Issues - - - - - - 565

Acceptances (Foreign Bills) - - - - - 565

ACTS OF PARLIAMENT:

1. *Act of* 1697 - - - - - - 566
2. *Act of* 1826 - - - - - - 566
3. *Act of* 1828 - - - - - - 567
4. *Act of* 1833 - - - - - - 567
5. *Acts of* 1844 *and* 1845 - - - - 568
6. *Summary of Banking Acts* - - - 568

Agencies (London) - - - - - - - 569

Amalgamation of Banks - - - - - - 569

Assimilation of the Law - - - - - - 569

Averages (Note Circulation) - - - - 570

BANK OF ENGLAND:

I. *Issue Department:*

1. Legal Privileges of Issue - - - 572
2. Gold, &c. specially held against Issues 572
3. Note Circulation and authorised Issue - - - - - - 573
4. Small Circulation in Scotland - - 573
5. Convertibility of Notes - - - 573
6. Remuneration from Government - 574

II. *Banking Department:*

1. Reserves, Bankers' Balances, and Liabilities generally - - - 574
2. Rate of Discount - - - - 574
3. Branch Banks - - - - 575
4. Weekly Return - - - - 575

III. *Question of Scotch and Irish Banks coming to London* - - - - - 575

BANK OF IRELAND:

1. *Authorised Issue and actual Circulation* - - - - - - - - 575
2. *Action of the Bank in opening Branches* - 576
3. *Practice as to Interest on Deposits and Current Accounts* - - - - 576
4. *Reserves kept in London; how employed* 576
5. *Conduct of the London Business of the Bank through Agents* - - - - - 576
6. *Expenses of Note Circulation* - - - 576
7. *List of Charges at Head Office and Branches* - - - - - - 576
8. *Bank Post Bills* - - - - - 576
9. *Other Details generally* - - - - 576

PAGE

Bank of Scotland - - - - - - - 577

Banking Facilities - - - - - - - 577

BRANCH BANKS:

1. *England* - - - - - - 578
2. *Ireland* - - - - - - - 578
3. *Scotland* - - - - - - 578

Capital and Reserves (Scotch and English Banks) - 580

Cheques - - - - - - - - - - 580

Clearing House - - - - - - - 58

CLYDESDALE BANKING COMPANY:

1. *Question as to the Legality of Independent Branches in Cumberland or in London* - - - - - - 582
2. *Circumstances attending the Establishment of Branches in Cumberland* - - - 582
3. *Operation of the Cumberland Branches* - 582
4. *Question of excluding the Bank from the County* - - - - - - 582
5. *Other Details generally* - - - - 582

Compensation (Surrender or Abolition of Issues) - - 583

Competition - - - - - - - - - 583

COUNTRY BANKS (LOCAL ISSUES):

1. *Value of Local Issues, on various Grounds; Objections to the Substitution of Bank of England Issues* - - - - - - 586
2. *Information as to the authorised Issues and the actual Circulation* - - - 587
3. *Legal Claim of the English Country Banks of Issue to a Continuance of their Privileges* - - - - - - - 587
4. *Question of Provincial Banks of Issue coming to London* - - - - 587
5. *Opposition of Country Banks to the Establishment of Scotch Banks in England* - 588
6. *Capital and Reserves of Provincial Banks in proportion to their Liabilities* - - 588

CUMBERLAND:

1. *Cumberland Union Bank* - - - 589
2. *Details relative to the English Banks generally in the Country* - - - 589
3. *Unequal Competition with Scotch Banks* - - - - - - - 590
4. *Restriction upon the Cumberland Banks coming to London* - - - - 590

CUMBERLAND—continued. PAGE

5. *Preference for Local Notes as compared with Notes of the Bank of England* - 590
6. *Circulation of Scotch Notes in the County* 590

DEPOSITS:

1. *England* - - - - - - - 593
2. *Scotland* - - - - - - - 593
3. *Ireland* - - - - - - - - 594
4. *Aggregate of Deposits in Scotch Banks, and in London and Provincial Banks respectively* - - - - - - - 594

EXCESS OF AUTHORISED ISSUES:

1. *As to the Privilege of the Scotch Banks in over-issuing against Gold* - - - 598
2. *As to the Question of a similar Privilege in English Banks of Issue* - - - 599
3. *Statistics of Excess of Issues* - - - 599

Exchanges of Notes - - - - - - - - 600

Extension of Issues - - - - - - - 600

GOLD AND SILVER COIN;

1. *Gold in England and in the United Kingdom; Proportion borne to the Note Circulation,* 609
2. *Gold and Silver Coin in Scotland, in Proportion to the Note Issue* - - - 609
3. *Periodical Demand from Scotland for Gold from the Bank of England* - - - 610
4. *Question of Amendment as regards the Practice of Gold Remittances to Scotland,* 610
5. *Question of regulating the Proportion of Gold held in Scotland with reference to the aggregate Issues of the Banks collectively* - - - - - - - 610
6. *Gold held in Ireland, and Practice as to Remittance to and from England* - - 611
7. *Value of a Gold Circulation* - - - 611

Gurneys & Co. - - - - - - - - - 614

Inequalities of Legislation - - - - - - 617

Ireland - - - - - - - - - - 617

Joint Stock Banks - - - - - - - - 618

LEGAL CLAIMS (SCOTCH AND IRISH BANKS):

1. *Views of Mr. Fitzjames Stephen upon the Question as to the Legal Right of Scotch and Irish Banks to establish themselves in London, or within a Radius of Sixty-five Miles* - - - - - - - 618
2. *Views of Sir Henry Thring; Memorandum by him on the Subject* - - - 619
3. *Views of Mr. Tatham; Legal Authorities adduced by him* - - - - - - 619
4. *Opinion of Sir Roundell Palmer in* 1855 - 620
5. *Opinions of Sir James Scarlett, Sir Edward Sugden, and Mr. Richards in* 1833 - 620
6. *Suggested Removal by Legislation of the existing Ambiguity* - - - - - 620
7. *Suggestion that the Ambiguity be removed by Trial at Law* - - - - - 620
8. *Other Evidence generally, as to the Claim in Question* - - - - - - - 620

Legal Tender - - - - - - - - - 620

License Duty - - - - - - - - - 621

Light Gold - - - - - - - - - - 621

PAGE

Liverpool - - - - - - - - - - 621

Manchester and Liverpool District Bank - - - 622

Monopoly (Scotch Banks) - - - - - - 624

Munster Bank - - - - - - - - 625

NATIONAL BANK:

1. *Change in the original Name of the Bank* - 625
2. *Prohibition at first upon the Establishment of the Bank in Dublin* - - - - 626
3. *Authorised and actual Issue, and Amount of Gold held* - - - - - - 626
4. *Extension of Branches* - - - - 626
5. *Circumstances connected with the Establishment of the Bank in England, and in London more especially; Legal Opinions on the Subject* - - - - - - 626
6. *Character of the London Business of the Bank, and Financial Result thereof; Discouragement of Deposits* - - - 627

National Provincial Bank - - - - - - 627

Non-issuing Banks - - - - - - - - 628

North and South Wales Bank - - - - - 629

Northern Bank of Ireland - - - - - 629

NOTE CIRCULATION:

1. *England* - - - - - - - 629
2. *Ireland* - - - - - - - - 630
3. *Scotland* - - - - - - - - 630
4. *United Kingdom* - - - - - - 631
5. *Question of Scotch Notes circulating in England* - - - - - - - - 631
6. *Question of Country Notes circulating in or near London* - - - - - 631
7. *Regulation of the Circulation by the Public Demand* - - - - - - - 632
8. *Duration of Notes* - - - - - 632
9. *Record of Notes of Bank of England but not of Bank of Ireland* - - - 632
10. *Objections to a Note Circulation in England in Displacement of Gold* - - 632
11. *Lapsed Issues* - - - - - - 632

ONE POUND NOTES:

I. *ENGLAND:*

1. Prohibition of 1 *l.* Notes in England 632
2. Total Circulation in 1821, when Small Notes were abolished - - 632
3. Objections on various Grounds to a Re-issue of 1 *l.* Notes - - - 633
4. Degree of Objection on the Score of Forgery; actual Amount of Forgery in Scotland and Ireland, and formerly in England - - - 633
5. Evidence favourable to the Re-introduction of Small Notes, if carefully carried out - - - - - - 634
6. Circulation anticipated if Scotch Banks be established in England - 634

II. *Scotland* - - - - - - - 634

III. *Ireland* - - - - - - - - 634

IV. *Contemplated Centres of Issue for Ireland and Scotland if the Issues were transferred to the Bank of England* - - 635

Panics - - - - - - - - - - 640

PAGE

Peel, Sir Robert (the late) - - - - - 640

Penalties - - - - - - - - - 640

Private Banks - - - - - - - - 641

Profits (Scotch and English Systems of Banking):

1. *Calculations submitted by Mr. Gairdner as to the much higher Profits of English than Scotch Banks* - - - - 641
2. *Exceptions taken to the foregoing Conclusions* - - - - - - - 642
3. *Statistics of Net Profits, &c.* - - - 642

ublic, The - - - - - - - - - 643

Rates and Charges:

1. *Particulars as to the Rates and Charges in Scotland; common Action of all the Banks* - - - - - - 646
2. *Explanations on the part of English Banks; Denial that the Scotch Banks act more liberally* - - - - - - 646
3. *Practice of Scotch Banks in charging for the Collection and Remittance of Cheques; Facility on this Score in England* - - 647
4. *Rates and Charges of Banks in Ireland* - 648

Reserves - - - - - - - - - - 649

Royal Bank of Scotland - - - - - - 650

Scotch Banks:

1. *Details generally relative to the existing Banks, their Capital, Powers of Issue, &c.* - - - - - - 651

Scotch Banks—continued. PA

2. *Great Value of the Right of Issue in facilitating the Extension of Business; Money Value represented* - - - - 6
3. *Obstacles to successful Competition of English Banks in Scotland* - - - 6
4. *Concurrence of Evidence as to the undue Advantages of Scotch Banks, by reason of their extensive Rights of Issue, in Competition with English Banks, and as to the Expediency of excluding them from London and from the Provinces* - - 6
5. *Question of ejecting from London the Banks already established* - - - 6
6. *Views expressed by the Representatives of the Bank of England* - - - - 6
7. *Probable Effect of the Competition of Scotch Banks in England as regards Banking Facilities and Charges, the Rate of Discount, &c.* - - - - - - - 6
8. *Explanations on the part of Representatives of the Scotch Banks* - - - - 6

Security (Note Circulation):

1. *Considerations as to the Expediency of the Deposit of Securities for Local Issues; Suggestions to this Effect* - - - 6
2. *Suggestions for making Issues a first Charge upon Assets* - - - - - - 6
3. *Degree of Security of Scotch Issues* - - 6

State Issue - - - - - - - - - 66

Union Bank of Scotland - - - - - - 66

Western Bank of Scotland - - - - - 66

Working Expenses - - - - - - - - 66

I N D E X.

[*N.B.*—In this Index the Figures in the Analysis of Evidence, and those following the Names of the Witnesses, refer to the Questions in the Evidence; and the Figures following *App.* to the Pages in the Appendix].

A.

ABERDEEN TOWN AND COUNTY BANK. Return showing the average amount of notes of this bank in circulation, and of coin held, during the four weeks ending 21st March 1874, *App.* 448 —— Amount of liabilities and assets under different heads, as per last annual account, *ib.* 455.

Returns of the daily note circulation before and after giving effect to daily exchanges, from 29th March to 24th April 1875, *App.* 456–461——Table showing the average issue in 1874 the proportion of actual to authorised issue, and the proportion of small and large notes, *ib.* 502.

Analysis of balance sheets published in 1874, showing the net profits, the per-centages of net business profits, the dividends, &c., *App.* 464.

Abolition of Local Issues. Evidence in strong deprecation, on various grounds, of an abolition of local issues and of their transfer to a central department, *Seebohm* 4578, *et seq.*; *Rae* 5052–5054; *Palgrave* 5504, *et seq*; *Dun* 6245, *et seq.*

Belief that Sir Robert Peel had in contemplation the abolition of private issues, and the establishment of a State bank of issue, *Dun* 6240. 6263. 6480–6483; *Cooke* 6573. 6609——Grounds for concluding that the apprehensions of Sir Robert Peel which disposed him to discourage local issues were not well founded, *Dun* 6242–6246.

Opinion that the most expedient course, with a view to equality and uniformity, is the gradual abolition of all private issues, not only in England but in Ireland, and Scotland, *Cooke* 6606–6609. 6611. 6620. 6742–6744——Examination to the effect that the abolition of provincial issues would not cause any serious inconvenience locally, whilst the community at large would be gainers, *ib.* 6833–6854.

Entire adequacy of the Bank of England to supply the vacancies created if the whole of the provincial issues were withdrawn, *Palmer* 7439–7442 —— Concurrence of evidence in favour of the abolition of all private or provincial issues, and of the concentration of issues in a State department, *Palmer and Hodgson* 7690–7703. 7794–7798. 7818–7827. 7934–7938.

Decrease of Bank of England branches and increase of country bank branches, notwithstanding which witness would like to see all provincial issues abolished, *Palmer* 7690–7700.

Contemplated continuance of the privileges of existing banks of issue in England, the sudden abolition thereof not being consistent with the usual course of British legislation; expediency, moreover, of retaining local issues in the interests of the public, *Bagehot* 7971. 7979. 7980. 7999–8001. 8177–8188.

See also *Compensation. Country Banks. State Issue. Trade.*

Acceptances (*Foreign Bills*). Very large amount of acceptances of the Scotch banks in London as compared with those of the Bank of England, *Davidson* 1145–1149——Discouragement of acceptances by the National Bank (of Ireland), *Mills* 2970, 2971.

Grounds for the conclusion that the practice of Scotch banks in London of accepting against foreign credits should be carefully limited, *Dun* 6205–6211. 6403–6407——Very dangerous business of the Scotch banks in London in accepting bills from India and other foreign countries, *Cooke* 6623–6625.

Report, 1875—*continued.*

Acceptances (*Foreign Bills*)—continued.

Evidence in detail as to the objectionable and growing practice of the Scotch banks in London in accepting foreign bills; grounds for the conclusion that this is not legitimate banking business, *Smith* 6886-6890. 6936-6959. 7024-7042. 7049-7053. 7076-7104. 7139-7145. 7150-7158——Large increase in the acceptances of the Bank of Scotland and other Scotch banks since they came to London, *ib.* 6888-6890. 6957-6959.

Objections further urged against the practice of Scotch banks in undertaking the business of acceptances in London; that is, in view more especially of the large issues of the banks and the risk to the note holders, *Smith* 7222-7245. 7273-7275——Evidence in strong disapproval of the increasing practice of Scotch banks in accepting foreign bills; grounds for the conclusion that this business belongs properly to commercial firms and is not the legitimate business of bankers, *Crake* 7313-7327. 7366-7407. 7413-7424

Deprecation of any extensive acceptance of bills from abroad by Scotch banks in London as not being legitimate banking business, *Palmer* 7548-7552. 7746-7748. 7757——Evidence in support of the conclusion that the business of foreign acceptances is too much undertaken by Scotch and other banks in London, *Hodgson* 7684-7688. 7749-7760.

Explanation of the amount and character of the business of the Bank of Scotland in London and of other Scotch banks in the acceptance of foreign bills, *Davidson* 7288-7290.

Return showing the amount of acceptances in the case of each of the Scotch banks, *App.* 455.

Accounts (*Balance Sheets*). Annual publication of their accounts by all the Scotch banks, so that any statistics are readily obtainable, *Fleming* 76, 77——Non-distinction between deposit receipts and current accounts in the balance sheets of English banks, *Gairdner* 1249——Circumstance of the Bank of Ireland not publishing its accounts, *Du Bedat* 3116. 3218, 3219——Reasons for objecting to private banks being required to publish accounts annually, *Seebohm* 4948, 4949; *Rae* 5290-5292.

Approval of the principle of publicity as applied to banking business; doubt, however, as to any public advantage by publishing the accounts of private banks, *Palgrave* 5806-5808. 6167——Careful consideration desirable before requiring private banks to publish their accounts, *ib.* 6006——Very little information really given in the published accounts of banks, *ib.* 6167.

Out of fifty-four joint stock banks of issue in England only nineteen publish a statement of their assets and liabilities, *Dun* 6257——Considerable value attached to the publication of balance sheets by the joint stock banks, *ib.* 6497.

Acts of Parliament:

1. *Act of* 1697.
2. *Act of* 1826.
3. *Act of* 1828.
4. *Act of* 1833.
5. *Acts of* 1844 *and* 1845.
6. *Summary of Banking Acts.*

1. *Act of* 1697:

Absolute freedom of issue in England under the Act of 1697, *Fleming* 157——Consideration of the effect of the Act of William the Third and of the Act of Anne, witness contending that under these Acts banks of issue could do business in London as banks of deposit and discount, *Latham* 640-648. 660-676. 734-745.

2. *Act of* 1826:

Conclusion that under the Act of 1826 any Scotch bank might have established itself in England, and might have issued notes beyond sixty-five miles from London, *Fleming* 57-62. 65——Consideration of objections to the view that under the Act of 1826 branch banks might be established in England beyond the sixty-five miles radius from London, whilst the head offices were in Scotland, *ib.* 85-99. 132. 135——Restricted liability of banks coming under the privileges of the Act of 1826, such liability extending only to money owed or taken up in respect of notes payable on demand or of bills at six months, *ib.* 134.

Extracts from letter from the Government to the Bank of England in January 1826, and reference to speeches of Sir Robert Peel and Lord Liverpool in introducing the Bill of that year, as tending to confirm the interpretation put upon the Act by witness, *Fleming* 136——Consideration of the passing of two separate Acts in 1826 relating respectively to Scotch and English banks, and their rights of suing and being sued, *ib.* 162-176——Doubt as to separate legislation having often applied in the same Session to Scotch banks and to English banks, *ib.* 175, 176.

Grounds

Acts of Parliament—continued.

2. *Act of* 1826—continued.

Grounds for the conclusion that the relaxation under the Act of 1826 as to the establishment of joint stock banks of issue more than sixty-five miles from London was undoubtedly limited to English banks, *Stephen* 214–226. 271 ——Illegality if, when the Act of 1826 was passed, there were any Scotch banks cashing notes issued in Scotland at agencies of their own in towns in England; any such banks were not touched by the Act, *ib.* 215–218——Separate legislation in 1826 as regards Scotch banks, *ib.* 218.

Concurrence between the recital and the enacting clause of the Act of 1826 to the effect that the relaxations therein were limited to companies having the whole of their establishments in England, *Stephen* 336——Universal application of the restrictions in the earlier Acts, the relaxations in 1826 and subsequently being confined to England, *ib.* 349–351——Perpetual succession of Acts since 1697 relating to England, the conclusion being that the Acts of 1826 and 1833 are also confined to England, *ib.* 385–391.

Explanation of witness' grounds for concluding that the enacting clause of the Act of 1826 bears out the interpretation which he has placed upon the Act, *Fleming* 396, 397.

Argument that, looking at the current of previous legislation, the Act of 1826 applies to Scotch as well as all other banks of issue, and prohibits their coming to London, *Sir H. Thring* 416–434. 454–477——Entirely separate legislation for England and for Scotland in banking matters, *ib.* 478, 479.

Examination as to the effect of the various prohibitions and relaxations under the different Acts since 1694, witness attaching especial importance to the facilities of coming to London under the Acts 7 Geo. 4, c. 26, 7 & 8 Vict. c. 32, and 7 & 8 Vict. c. 113, *Tatham* 568–589. 594–600——Removal by the Act 7 Geo. 4, c. 46, of the previous prohibition upon more than six persons acting as bankers; that is beyond sixty-five miles of London, *ib.* 569–583. 664.

Reliance placed upon the Act 7 Geo. 4, in support of the view that banks of issue in England cannot come to London or within sixty-five miles of it, whilst banks of issue in Ireland or Scotland can do so, *Tatham* 689–717——Further reference to the Act of 1826 as being entirely confined to England, and as not dealing with the right of Scotch or Irish banks to come within sixty-five miles of London, *ib.* 750–755.

Interpretation of the Act of 1826 as enabling Irish banks of issue to establish themselves anywhere in England more than sixty-five miles from London, *Fitzgerald* 2335. 2578.

3. *Act of* 1828:

Reference to the Act of 1828 as tending to show that previously there was a right in Scotch or Irish banks to issue and circulate their notes in England beyond sixty-five miles from London, *Fleming* 135. 137–140. 197–200.

Belief that the Act of 1828 referred simply to the circulation of small notes in England, and not to any system of agency in force at the time; reference hereon to the discussions upon the Bill in Parliament, *Stephen* 219–226. 234–238. 264. 294, 295——Opinion as to the illegality in 1828 and subsequently of the cashing or negociation in England of notes issued in Scotland, *ib.* 220–226. 234–238. 240–247.

Conclusion further expressed that the Act of 1828 did not refer to any system in force on the part of the Scotch banks for cashing their notes in England; its object was merely to make clear the prohibition of small notes, *Stephen* 270. 376, 377——Reason for the prohibition under the Act of 1828 having been confined to notes under 5 *l.*, *ib.* 337, 338.

4. *Act of* 1833:

Express stipulation between Government and the Bank of England which led to the Declaratory Act of 1833; provisions of Section 3 whereby any bank, Scotch or otherwise, could come to London provided it did not issue any notes in England, *Fleming* 61–75. 78–83——Reliance placed entirely upon the Act of 1833 as authorising Scotch and other banks to come to London, *ib.* 97. 174——Main object of the Act of 1833 to reduce the exclusive privileges of the Bank of England, *ib.* 99, 100. 108. 157, 158. 161–163——Exception taken to the view that the Act of 1833 conferred no privileges upon Scotch banks beyond those given by the Act of 1826, *ib.* 102–111——Statement as to the Act of 1833 professing to be declaratory, but being in reality enacting as well as declaratory, *ib.* 126–131. 157, 158.

Further statement as to the declaratory character of the Act of 1833, and as to the previous privileges of the Bank of England not having been absolute, *Fleming* 157, 158. 168–174.

Data for the conclusion that the Act of 1833 was, like its precedessor in 1826, limited to England; several special reasons in support of this conclusion, *Stephen* 226–233—— Declaratory character of Clause 3 of the Act of 1833, its object being to show that a

ACTS OF PARLIAMENT—continued.

4. *Act of* 1833—continued.

bank of deposit might be established in London provided it did not issue notes in any part of England, *Stephen* 226–233 326.

Great improbability of the legislature having intended in 1833 that English banks of issue coming to London must give up their issue without intending to apply a similar restriction to Scotch banks of issue, *Stephen* 239. 258, 259. 263——Decided opinion that if the Scotch banks could not come to London before 1833 they cannot do so by reason of any provision or relaxation in the Act of that year or in any subsequent Act, *ib.* 248–251. 260–262——Confirmation of witness' interpretation of the Act of 1833 by a statement by Lord Althorpe that the Bill was limited to England and Wales, *ib.* 259. 374——Probable reason why the Act of 1833 did not state in express terms that Scotch or foreign banks of issue were prohibited from coming to London, *ib.* 302-305.

Reply to the argument that the latter part of the third section of the Act of 1833 allows joint stock banks to do business in London, provided they refrain from issuing notes, *Sir H. Thring* 483.

Inference from section 7 of the Act of 1833 that the rest of the Act did not relate to Ireland as well as Great Britain, *Tatham* 758–760——Opinion that, under the Act of 1833, Irish banks in England might have agents in London for paying their notes; reference hereon to the operation in London of the National Bank and Provincial Bank of Ireland, *Fitzgerald* 2335–2337. 2339–2344.

5. *Acts of* 1844 *and* 1845 :

Express prohibition upon Scotch or Irish issues in England by the Act of 1844, *Fleming* 17, 18. 112–117——Monopoly of Scotch banks as to issue, but not as to banking, under the Act of 1844, *ib.* 122–125.

Principle of the Act of 1844 that the right of issue in England should be restricted and curtailed, and should not be made a matter of private profit, *Stephen* 239. 253–257——Further reference to the Act of 1844 as enforcing the principle that the issue of bank notes should no longer be a matter of private profit; arrangement as to the profits of the Bank of England on this score, *ib.* 272–274. 294-300. 350——Repeal of the Act 7 & 8 Vict. c. 113 save as regards Section 47 which facilitates suing and being sued, *Tatham* 531.

Satisfaction of the Scotch banks with the legislation of 1845 and the restrictions then applied, though at the time a system of complete freedom was in favour, *Gairdner* 1599–1606——Desire of the Scotch banks to make some suggestions on matters of detail if the legislation of 1845 be disturbed, *ib.* 1672, 1673.

Opinion that the banking legislation of 1844 and 1845 clearly intended that banks having privileges of issue should confine their operations to those countries in which they enjoyed such privileges, *Wade* 1719–1722——Belief that in 1844–45 Sir Robert Peel never contemplated the contingency of the Scotch or Irish banks having independent establishments in England, *Wade* 1970–1975; *Gordon* 4357, 4358. 4542; *Hon. A. L. Melville* 4970–4974; *Palmer* 7532, 7533.

Clause 25 of the Act of 1844 adverted to as consistent with the opinion that the privilege of local issue was intended to be continued as long as the privileges of the Bank of England, *Seebohm* 4708. 4713–4716——Conclusion as to the Legislature not having contemplated the contingency of the Scotch banks coming to England, *ib.* 4734——Satisfaction given generally to English issuing banks by the terms of the Act of 1844; *ib.* 4760.

Excellence of the Act of 1844 on the whole, the English bankers generally looking upon it as a permanent settlement, and fully approving of it, save for the "slip" about the Scotch banks, *Hon. A. L. Melville* 5029, 5030.

Advocacy of adherence to the main principles of the Act of 1844, though some detailed amendments might be made, *Rae* 5063, 5064. 5067–5075——Comparative unimportance of the detailed amendments suggested by witness in the Act of 1844; *ib.* 5232–5235——Impression that the Act of 1844 was intended as a final measure in respect of the currency privileges of the Bank of England and of other banks in England and Scotland respectively, *ib.* 5324–5326.

Grounds for the understanding of the English country bankers, when the Act of 1844 was passed, that their privileges of issue would not be interered with; references hereon to the evidence of Mr. Rodwell before the Select Committee of 1858 upon the Bank Acts, as showing the views of Sir Robert Peel in 1844; *Palgrave* 5541. 5575-5585——Immense deal of good done by the Act of 1844, *Bagehot* 8074.

6. *Summary of Banking Acts*:

Paper containing a summary of Acts in force relating to banking in England, showing the title of each Act, and the special provisions as to banking, *App.* 440–444.

See also *Bank of England, I.*, 1. *Legal Claim.* *Peel, Sir Robert (The Late.)*
Agencies

Report, 1875—*continued.*

Agencies (*London*). Facility in conducting the London business of the National Provincial Bank before it had an independent branch in the metropolis, *Wade* 2282–2292 —— Transaction of business in London by the Provincial Bank of Ireland through agents, *Fitzgerald* 2337; *Mills* 2889—— Successful conduct of the London business of the Munster Bank, without an office in London, an agent being found sufficient and no inconvenience arising, *Belton* 2488–2490. 2511. 2554. 2608–2616. 2624–2629. 2643–2648—— Entirely satisfactory manner in which the London business of the Bank of Ireland is conducted through the agency of the Bank of England and another bank, *Du Bedat* 3019. 3235–3249—— Facility in the transaction of the London business of the Cumberland banks by means of agents; undue expense of independent branches in London, *Gordon* 4431–4433.

Non-objection to the Scotch banks having agencies in London, so long as they do not establish large and competing branches; advantages of the former system, as in the case of the Manchester and Liverpool District Bank, *Cooke* 6752–6755. 6776–6778—— Limited interests of witness' firm, as agents for Scotch banks, in the exclusion of the latter from London, *Smith* 6933–6935.

Agricultural Districts. Evidence as to the greater value of local issues in agricultural than manufacturing districts, *Seebohm* 4614–4616——Causes of the falling off of the note circulation in agricultural districts; the population has decreased or has been stationary, and cheques are largely used, *Palgrave* 5494. 5508, 5509——Situation in agricultural districts of eighty-seven out of 167 issuing banks in England and Wales, *ib.* 5494.

Table showing the actual and authorised issues of banks in agricultural districts, *App.* 493–499.

Amalgamation of Banks. Possibility of amalgamation being carried too far, as preventing competition, *Gairdner* 1324–1327——Process of amalgamation in Scotland previously to the Acts of 1844 and 1845, rather than since those Acts, *ib.* 1357–1359.

Possible improvement in the position of English banks of issue if allowed to amalgamate without forfeiting their circulation, *Gordon* 4566, 4567——Conclusion as to the expediency of full power in English banks to amalgamate, though amalgamation may be carried too far, *Palgrave* 5523. 5875–5884. 5991–5995. 6164——Advantage of the power of amalgamation in the case of Scotch banks, *ib.* 5523——Explanations as to the right of amalgamation of private banks of issue in England, without losing their privileges of issue; reference especially to the case of Messrs. Gurney & Co., *ib.* 6093–6101.

Approval of increased facility in the amalgamation of joint stock banks of issue, provided power of issue be extended to all banks; objection otherwise, *Dun* 6271–6273. 6382, 6383——Less favourable position at present of joint stock banks than of private banks, *ib.* 6271.

Number of amalgamations in England, and amount of issue involved, *App.* 553.

Assimilation of the Law. Difficulty of witness in saying off-hand whether it would be satisfactory to give the English banks the same privileges as the Scotch banks, *Wade* 1736–1738. 1812–1815. 1907–1910. 2096—— Expediency of the same facilities of issue being given to English as to Scotch banks, rather than of the privileges of the latter being withdrawn; apprehension however as to the effect of an issue of 1 *l.* notes in England, *Gordon* 3986–3998. 4054—— Conclusion that it is better to place the Scotch banks on the same level and footing as the English banks, than to raise the latter to the level of the former, *Rae* 5066. 5111. 5229–5231. 5337–5345. 5348–5368.

Obstacle to an assimilation of the banking law of England, Ireland, and Scotland, on account of the objection to 1 *l.* notes in England, *Palgrave* 6164——Assimilation contemplated as regards gold being made the only legal tender in the payment of provincial notes in England, *ib.*——Approval of assimilation also in the matter of license duties, *ib.*

Opinion that Scotch banks, with all their privileges, should be excluded from London rather than that English banks should be raised to the same level, *Dun* 6302–6307—— Apprehended impossibility of so assimilating the English system to the Scotch system of circulation as to remove the inequality in competition between the two banking systems, *ib.* 6430.

Opinion that the most expedient course with a view to equality and uniformity is the gradual abolition of all private issues in Ireland and Scotland, as well as in England, *Cooke* 6606–6609. 6611. 6620–6622—— Argument that it is better to level the Scotch banks down to the position of the English banks than to "level up" the latter to the privileges of the former, *ib.* 6661. 6665—— Expediency of the Scotch banks being required to give up their privileges of issue if they come to England, *Crake* 7330.

Conclusion as to the impracticability of a uniform banking system for the United Kingdom, and as to the unfitness of the Scotch system for the whole country, *Bagehot* 7966–7970——Opinion that instead of withdrawing privileges from issuing banks, it would be better to "level up" other banks to the same position, *ib.* 8024–8026.

See also *Abolition of Issues.* *Excess of Authorised Issues.* *Extension of Issues.* *Inequality of Legislation.* *Scotch Banks.*

Report, 1875—*continued.*

Atkinson, Edward. See *Wade, Richard Blaney, &c.*

Averages (*Note Circulation*). Privilege of the Scotch banks in their issues being based upon averages, whereas the Bank of England cannot issue a 5*l.* note without having 5*l.* in gold to cover it, *Fleming* 147, 148——Information as to the average daily circulation of notes in Scotland, and as to the mode in which the averages are taken; inclusion of all the notes not actually in the hands of the banks, *Davidson* 791–803——Advantage if the averages in Scotland were taken only yearly or half-yearly, so as to save frequent transmissions of gold to and from London, *Fleming* 1446. 1636, 1637.

Advantage to the National Bank of Ireland if the averages were taken quarterly instead of every four weeks; less gold required in such case, *Mills* 2791–2795——Authorised circulation of the Irish banks upon the basis of the average circulation of the three years previous to the arrangement, *Du Bedat* 3136–3138.

Advantage of the Scotch banks in their issue being taken on a weekly, instead of a daily average, *Gordon* 4449–4451——Amendment made in the Bill of 1844, at the instance of witness, in regard to the mode of taking the averages, *Hon. A. L. Melville* 5029.

Advantage if the averages of circulation in England were taken over six months, instead of one month, *Rae* 5068——Improvement if the averages were spread over a longer period in Scotland and Ireland, *Palgrave* 6145–6147——Calculation that the Scotch banks have the advantage of thirty or forty per cent. more notes than they pay stamp duty upon, on account of their circulation being based upon a weekly instead of a daily return, *Dun* 6431. 6433.

B.

Bad Debts. Belief that the Scotch banks have on the whole been very free from bad debts for many years; allowance made for bad debts in certain calculations as to the profits of the banks, *Gairdner* 914–917——Opinion that the bad debts of the Royal Bank and other Scotch banks will compare favourably with those of English banks; statistics in the case of the Royal Banks, *Fleming* 1344. 1391–1397——Doubt as to banks having lost very large sums by allowance to commercial firms, *Gairdner* 1373–1376.

Speculative business done by Scotch as well as English banks, *Cooke* 6792–6794.

Bagehot, Walter. (Analysis of his Evidence.)—Is a Director of Stuckey's Bank, 7964——Suggestion that the question as to the legal right of the Scotch banks to come to London be tried by law, 7965——Conclusion as to the impracticability of an uniform banking system for the United Kingdom, and as to the unfitness of the Scotch system for the whole country, 7966–7970——Effect of the partial monopoly of the Bank of England in preventing the establishment of such strong banks in England as in Scotland, 7969.

Contemplated continuance of the privileges of existing banks of issue in England, the sudden abolition thereof not being consistent with the usual course of British legislation, 7971, 7979, 7980——Good ground for complaint by English banks in Cumberland in regard to the invasion of that district by the Clydesdale Bank, with its legalised privileges of issue; much more unequal competition thereby than between issuing and non-issuing English banks, 7972–7976. 8021–8023. 8051–8056. 8068. 8070. 8162——Fallacy of testing the respective merits of Scotch and English banking by the per-centage profit upon the cash deposits; this test is quite inapplicable to re-discounting banks, 7977, 7978.

Primary importance of the Bank of England note, as being legal tender, being convertible instantaneously, and with absolute certainty, 7980——Proposition that banks in England might be allowed an unlimited issue upon the deposit of adequate Government stock as security; probable objection by many issing banks to this proposal, which, if adopted at all, should be carried out with the greatest care, 7980, 7981. 7989–7997. 8025, 8026. 8037–8043. 8061–8066. 8088——In addition to the deposit of Government stock a certain proportion of coin might be required, 7980. 8026.

Particulars relative to the operation of Stuckey's Bank in Somersetshire, as illustrating the increased facilities given to the public by issuing banks as compared with non-issuing banks; that is, in order to obtain the local circulation, 7982–7988. 7999. 8136–8143——Opinion that issuing banks would have no good claim to compensation if unlimited issues were allowed to all banks upon the deposit of securities, 7995–7997——Claim to compensation if issuing banks were deprived altogether of their circulation by the State, 7998.

Evidence in support of the conclusion that the country issues in England and Scotland are at the root of the banking habits of the people and of the system of deposits, 7999–8001. 8071–8073——Slight extent to which there is any greater risk in the case of issuing than of non-issuing banks in times of panic, 8002–8005. 8165–8167——Explanations in connection with the system whereby the Bank of England practically holds the banking reserves of the whole country; great responsibility thrown thereby upon the bank in

Report, 1875—*continued.*

Bagehot, Walter. (Analysis of his Evidence)—*continued.*

in time of panic, incessant watchfulness and judicious action being essential, 8002. 8039. 8044-8050. 8099-8126. 8190-8193. 8207-8220.

Tendency to the mitigation of panics if the local circulation were specially secured by a deposit of adequate securities, 8006-8011——Displacement of gold in England if there were a local issue of notes under 5 *l.*; opinion that this would be advantageous rather than otherwise if the notes were secured and if the change were carefully carried out, 8012-8017. 8027-8033——Advantage of the London Clearing House as enabling the bankers to largely reduce the amount of till money, 8018-8020. 8187-8189.

Opinion that instead of withdrawing privileges from issuing banks it would be better to "level up" other banks to the same position, 8024-8026——Doubt as to the expediency of issuing for lower sums than 1 *l.*; 8034-8036——Explanation that local issues, specially secured, should still be only subsidiary issues, and not a legal tender, 8037. 8061-8063. 8096-8098.

Consideration of the respective action of joint stock banks in London and of the Bank of England as regards discounts in times of panic or pressure; obligation upon the latter as well as the former to continue discounting, 8045-8050. 8170. 8194-8197——Chief or exclusive ground of complaint in England, in regard to the competition of Scotch banks, that the privileges are established by law, 8051-8056——Opinion that at present the Cumberland bankers are the only persons much aggrieved, and that London bankers are unduly apprehensive, 8052. 8067-8070.

Impracticability of English banks competing successfully in Scotland, whereas Scotch banks have great advantages in competing in England, 8054-8056. 8130. 8163, 8164. 8221-8225. 8229-8246——Testimony to the beneficial operation of the Scotch banking system, though it is questionable whether too high a rate of interest is not given in order to induce deposits, 8057-8060——Tendency in England to unduly reduce the reserves and to allow too much interest on money at call, 8058. 8091-8093——Comment upon the requirement in the Act of 1845 as to gold being held against over issues by Scotch banks without its being earmarked or hypothecated, 8074. 8127-8129. 8173——Immense deal of good done by the Act of 1844; 8074.

Further objection to the competition of Scotch banks in England on the ground mainly that the privileges of the former are conferred by the State, and that English banks have not similar privileges from the State, 8074-8081. 8144-8147——Possibility of banking business being done more cheaply in England by the competition of Scotch banks; doubt as to the public being benefitted, 8082-8084——Absence of any good ground of complaint in England by banks of non-issue as compared with banks of issue, 8085——Equal pressure upon the Bank of England from non-issuing as from issuing banks in times of panic, 8086, 8087——Difficulty as to the local exchange of Bank of England notes if substituted for local issues, 8089, 8090.

Pressure of the Scotch banks, but also of English and Irish banks, upon the Bank of England in times of panic, 8121-8126——Impolicy of a monopoly in banking in Scotland, it being inexpedient to extend such monopoly into England; question, however, whether it is wise to disturb the existing state of things in Scotland, 8130-8135. 8151-8155. 8174-8176——Great improbability of established banks in the south and west of England being subjected to competition from Scotch banks, 8148-8150.

Question really for the consideration of Parliament whether the inequality of competition by reason of the monopoly of the Scotch banks is of such magnitude as to call for legislative interference, 8156-8162——Further evidence as to the much less valuable privileges of English than of Scotch issuing banks, 8163, 8164. 8221-8246——Exception taken to the prohibition upon the sale of private bank issues, 8167——Expediency of the Bank of England raising the rate of discount in times of pressure, though it should not withhold accommodation, 8168-8172.

Further statement as to the importance of maintaining local issues in the interests of the public, 8177-8180——Important advantage of local issues to the banks in the shape of till money, 8181-8184——Grounds for the apprehension that if all issues were concentrated in a State department, there would be great pressure upon Government to make loans in times of great pressure or panic, 8185, 8186. 8198-8206——Contemplated relaxation of the limitation upon legal tender issue on exceptional occasions of pressure, 8207-8209.

Doubt as to the advantage of the weekly return of the bank of England affording information as to bankers' balances, 8210-8219——Improbability of the banks uniting in drawing out their balances in time of panic, 8215-8220——Non-objection expressed as regards a 1 *l.* note circulation in England if properly secured, 8226-8228——Conclusion that although banks of non-issue may compete successfully in England or in Ireland, the privileges of the Scotch banks preclude successful competition in Scotland on the part of English banks, 8229-8246.

Report, 1875—*continued.*

Balance Sheets. See *Accounts.*

Bank Charter Act. See *Acts of Parliament*, 5.

BANK OF ENGLAND:

I. *Issue Department:*

1. Legal Privileges of Issue.
2. Gold, &c. specially held against Issues.
3. Note Circulation and Authorised Issue.
4. Small Circulation in Scotland.
5. Convertibility of Notes.
6. Remuneration from Government.

II. *Banking Department:*

1. Reserves, Bankers' Balances, and Liabilities generally.
2. Rate of Discount.
3. Branch Banks.
4. Weekly Return.

III. *Question of Scotch and Irish Banks coming to London.*

I. *Issue Department:*

1. Legal Privileges of Issue:

Exclusive privileges of the Bank of England under Acts in 1697, 1708, and subsequent years, the object of the Act of 1833 having been to remove doubts as to the extent of such privileges in the direction of removing their exclusiveness, *Fleming* 99, 100. 108, 157, 158. 161–163.

Important effect of the monopoly of the Bank of England in influencing former legislation as regards joint stock banks, and the question of issue, *Stephen* 322–325.

Complete statement in witness' memorandum of the exclusive privileges of the Bank of England before 1826, and of the alterations made by the Acts of 1826 and 1833, *Sir H. Thring* 411–414——Original object of the monopoly to protect the Bank of England against other issues; the legal prohibition equally applies although Scotch or Irish notes may not enter into any competition in England with Bank of England notes, *ib.* 424–431. 437–439. 449–451.

Argument that the privileges of the Bank of England are limited to England, and are not encroached upon by the operation in London of banks whose issues are not in competition, *Tatham* 689 *et seq.*

Restrictions of the Bank of England and other reasons which have militated against new banks in England being banks of issue, *Rae* 5161–5168. 5185–5187——Entire satisfaction of witness with the present regulations as to the Bank of England issues, *Cooke* 6804–6805.

Statement as to there being nothing in the legal privileges of the Bank of England to exclude Scotch banks from London, the whole question arising under the Acts of 1844 and 1845, *Palmer and Hodgson* 7786–7793——Interference with the legislation of 1844, and so far with the privileges of the Bank of England, if the Scotch banks issued notes in London, *ib.* 7939–7941.

Effect of the partial monopoly of the Bank of England in preventing the establishment of such strong banks in England as in Scotland, *Bagehot* 7969.

Paper furnished by Sir Henry Thring, showing the privileges of the Bank of England under its charter of incorporation in 1694, and under subsequent Acts of Parliament, *App.* 432–438.

2. Gold, &c. specially held against Issues:

Doubt existing upon the question whether the gold in the Bank of England is held specially against the notes, *Fleming* 196.

Statement showing that the gold and securities in the issue department are most sacredly applicable to the notes, the depositors have no claim upon the bullion, *Palmer* 7508–7511——Entire security for the Bank of England issues in the shape of gold and Government securities, specially hypothecated for the purpose, whereas the Scotch or provincial issues are not represented by securities specially held against them, *Hodgson* 7719-7734. 7741–7743——Increased amount of bullion held by the Bank since the Act of 1844, *ib.* 7861–7864.

Very rigid and clear separation between the issue and banking departments, *Palmer* 7508——The gold held against the notes is earmarked in the most positive way, *Palmer* 7508; *Hodgson* 7730, 7731. 7909.

3. Note

Report, 1875—*continued.*

BANK OF ENGLAND—continued.

I. *Issue Department*—continued.

3. Note Circulation and Authorised Issue:

Circulation in the provinces of a large number of Bank of England notes issued in London, the provincial issue being 9,000,000 *l.*, *Rae* 5089–5099.

Tables submitted (*App.* 505, 506) showing in detail the average circulation of the Bank of England, annually and decennially since 1844, and the periodical fluctuations therein, *Palgrave* 5529, 5530——Explanation in connection with Table (*App.* 518) showing the provincial as distinguished from the metropolitan circulation of the Bank of England in each year since 1844, *ib.* 5530——Reference to Table (*App.* 518) as showing that since 1844 the Bank of England provincial circulation has largely taken the place of that of the provincial banks of issue, *ib.* 5531. 5544.

Estimate of about 3,000,000 *l.* as the amount of Bank of England notes in circulation abroad; at some periods the amount is probably much more, *Palgrave* 5946–5949.

Excess of issue by the Bank of England on two occasions since the Act of 1844, *Dun* 6465, 6466.

Increase from 14,000,000 *l.* to 15,000,000 *l.* since 1844 in the authorised issue of the Bank of England in order to replace lapsed or surrendered provincial issues, *Palmer* 7431, 7432——Increase of the Bank of England provincial circulation beyond the decrease of the private and joint stock bank circulation, *ib.* 7432. 7439–7441. 7471——Facility of circulating the notes of the Bank by means of the local banks, if the country issues were withdrawn, *ib.* 7454–7458——Very little fluctuation on the proportion between the provincial and central issues of the Bank; amount in each case, *ib.* 7638, 7639——Facility in the local public obtaining Bank of England notes, though not near any branch of the bank, *ib.* 7704–7706.

Annual averages of the Bank of England total note circulation, showing the fluctuations in it for each month for the years 1845 to 1874, *App.* 505, 506.

Averages of Bank of England circulation for the ten years, 1845 to 1854, 1855 to 1864, 1865 to 1874, and for the thirty years, 1845 to 1874, showing the fluctuations in the circulation during those periods, *App.* 506.

Return of the annual averages of the circulation of the Bank of England, showing the provincial circulation, the metropolitan circulation, and the total circulation; also the proportion of the circulation in each year to that in 1844, *App.* 518.

Return showing the metropolitan and the provincial circulation respectively for the six years, 1842 to 1847, *App.* 532–534.

4. Small Circulation in Scotland:

Very small circulation of Bank of England notes in Scotland, *Readman* 3708-3710——Reasons for the small circulation of English notes over the Border, *ib.* 3892–3895.

5. Convertibility of Notes:

Readiness with which Bank of England notes were received in the provinces in lieu of the former notes of the National Provincial Bank, *Wade* 2224-2228——Circumstance of a Bank of England note issued at Liverpool having been refused payment at the Manchester branch, *Seebohm* 4642. 4699–4701.

Examination in further reference to the circumstance of Bank of England notes issued at one branch not being payable at another, although they are a legal tender all over England, *Seebohm* 4747. 4752–4755

Practice of some banks, but not of Messrs. Gurney & Co., to mark Bank of England notes issued by them; effect as regards liability, *Palgrave* 6011–6014——Rare instances of inconvenience or difficulty in cashing at Liverpool or Manchester Bank of England notes issued in London, *Cooke* 6558, 6559.

Absence of difficulty as to cashing the notes where there are not branches of the Bank, *Palmer* 7459——Facility in cashing notes at branches where they are not issued, there being, however, no legal liability in the matter, *ib.* 7460–7469.

Further explanation on the subject of the local convertibility of Bank of England notes, there being little, if any, practical inconvenience on this score, *Palmer and Hodgson* 7828–7831. 7840–7849. 7871–7873. 7887–7895.

Primary importance of the Bank of England note, as being legal tender, being convertible instantaneously and with absolute certainty, *Bagehot* 7980——Difficulty as to the local exchange of the Bank of England notes if substituted for local issues, *ib.* 8089, 8090.

Report, 1875—*continued.*

BANK OF ENGLAND—continued.

I. *Issue Department*—continued.

6. Remuneration from Government.

Information relative to the arrangements between the State and the Bank of England as to the remuneration of the latter in the issue department; net profit of not more than 90,000 *l.* to the Bank, *Palmer and Hodgson* 7716–7740.

Statement showing the receipts and payments of the Bank in respect of the issue department for the year 1875; profit of 107,708 *l.*, *App.* 552.

II. *Banking Department:*

1. Reserves, Bankers Balances, and Liabilities generally.

Reason for the Bank of England keeping a larger reserve than banks in Scotland, *Gairdner* 1263, 1264.

Mischievous operation as regards the Bank reserve, on account of the Bank being a trading company, actuated by the desire of paying good dividends, *Dun* 6217, 6218. 6234–6239——Conclusion as to the entire inadequacy of the Bank reserve in view of the enormous banking liabilities of the United Kingdom, these being estimated by witness at 700,000,000 *l.*, *ib.* 6219–6226. 6323.

Necessity of all banks coming upon the Bank of England reserve in time of emergency, if they have balances enabling them to do so; entire insufficiency of the reserve in the event of this contingency, *Dun* 6379, 6380. 6504.

Equally large reserves maintained by the Bank of England, irrespectively of the 1 *l.* note circulation in Scotland, *Palmer* 7660–7663——Large proportion of the bankers' balances with the Bank of England as compared with the bank reserve; opinion that this is not a source of danger in times of panic, *Hodgson* 7874–7885——Absence of pressure from the Irish banks upon the Bank of England, whilst there has been only one pressure from the English provincial banks, *ib.* 7942–7947.

Explanations in connection with the system whereby the Bank of England practically holds the banking reserves of the whole country; great responsibility thrown thereby upon the Bank in time of panic, incessant watchfulness and judicious action being essential, *Bagehot* 8002. 8039. 8044–8050. 8099. 8126. 8190–8193. 8207–8220—— Improbability of the banks uniting in drawing out their balances in time of panic, *ib.* 8215–8220.

Monthly averages of liabilities and of reserve from 1845 to 1874, showing the proportion of reserve to liabilities, *App.* 521–525.

2. Rate of Discount.

Evidence showing that the fluctuations in the Bank of England rate of discount are increased by the fluctuations of the provincial and Scotch and Irish circulations, and that the rate is periodically enhanced by the periodical demand for gold in Scotland and Ireland, *Palgrave* 5531–5538——Progressive increase in the Bank rate in decennial periods since 1844, in the months of May and November, *ib.* 5533. 5538.

Beneficial effect of the country issues, in so far as they lessen the pressure on the Bank of England, and thus indirectly check fluctuations in the rate of discount, *Palgrave* 5539. 5544. 5553–5574. 5722, 5723. 6038–6048. 6131–6144.

Further statement as to the coincidence between the Scotch demand for gold and the periodical increase of the Bank rate, *Palgrave* 5999–6001. 6020–6023. 6046, 6047—— Effect, doubtless, of the withdrawal of deposits from the Bank of England upon the Bank reserve and the rate of discount, *ib.* 6046–6052——Conclusion as to the Bank rate being regulated with reference exclusively to the proportion between reserve and liabilities, *ib.* 6166.

Frequent variation necessary in the Bank rate of discount, the rate being, however, really regulated by the public, *Smith* 7277–7287.

More frequent variations in the Bank rate than in former years; tendency to higher rates in the last three months of the year, *Hodgson and Palmer* 7852–7857——Regulation of the rate by the state of the reserve, *Hodgson* 7860.

Expediency of the Bank raising the rate of discount in time of pressure, though it should not withhold accommodation, *Bagehot* 8168–8172.

Return showing the Bank average rate of discount in each of the years 1844 to 1874, and the number of changes in the rate; also the average banking reserve in each year, *App.* 520.

Average rate of discount for first class bills for each of the years 1825–44, *App.* 525 ——Monthly averages of rates of discount for first class bills from 1825 to 1844, *ib.* 526——Average rate of discount for first class bills for the ten years, 1825 to 1834, 1835 to 1844; and the twenty years, 1825 to 1844, *ib.* 527——Average of 3 *l.* 16 *s.* 2 *d.* for the fifty years from 1825 to 1874, *ib.*

Average

Report, 1875—*continued.*

BANK OF ENGLAND—continued.

II. *Banking Department*—continued.

2. Rate of Discount—*continued.*

Average minimum rate of discount charged annually by the Bank for the thirty years, 1845 to 1874, *App.* 527——Monthly averages of the Bank rate of discount from 1845 to 1874, *ib.* 528, 529——Averages of minimum rate for the ten years, 1845 to 1854, 1855 to 1864, 1865 to 1874, and for the thirty years, 1845 to 1874, *ib.* 529.

Table showing the number of times the rate charged in each month has been above, below, or equal to the average of the year for the fifty years, 1825 to 1874; *App.* 530.

3. Branch Banks.

Abolition of several branches of the Bank as not having paid their expenses, *Palmer* 7446–7452——Successful operation of the branches in the large manufacturing towns, *ib.* 7453——Peculiar character of the advantages offered by the branches of the Bank of England to the public, the provincial banks of issue not competing in any essential way, *ib.* 7470.

4. Weekly Return.

Requirement by Act as to the weekly publication of accounts by the Bank, these giving all the information directed to be published, *Palmer* 7622, 7623——Opinion that the accounts supply more information than the Bank is strictly required to give, and that too many particulars are furnished; tendency of the figures to mislead the public as regards the reserve, *Hodgson* 7623-7631.

Objection to the Bank return showing the amount of bankers' deposits, *Palmer* 7671–7673——Grounds for strongly objecting to the proposal for publishing the amount held weekly by bankers, the accounts giving too much information already, *Hodgson* 7674-7683.

Doubt as to the advantage of the weekly return of the Bank of England affording information as to bankers' balances, *Bagehot* 8210–8219.

III. *Question of Scotch and Irish Banks coming to London:*

Unwillingness expressed on the part of the Bank of England to offer any opinion upon the question of the Scotch and Irish banks of issue establishing themselves in London, *Palmer and Hodgson* 7477. 7761–7763. 7792.

See also *Acts of Parliament.* *Bullion.* *Country Banks*, 1. *Gold*, 3, 4. *Panics.* *State Issue.*

Bank Failures. See *Failures of Banks.*

BANK OF IRELAND:

1. *Authorised Issue and Actual Circulation.*
2. *Action of the Bank in opening Branches.*
3. *Practice as to Interest on Deposits and Current Accounts.*
4. *Reserves kept in London; how Employed.*
5. *Conduct of the London business of the Bank through Agents.*
6. *Expenses of Note Circulation.*
7. *List of Charges at Head Office and Branches.*
8. *Bank Post Bills.*
9. *Other Details generally.*

1. *Authorised Issue and Actual Circulation:*

Total authorised issue of 3,738,428 *l.*; large deficiency of circulation for several years owing chiefly to the increased use of cheques, the diminution of population, and the extended circulation of the National Bank, *Du Bedat* 3027–3049. 3153, 3154. 3179–3186. 3349–3353. 3404–3411. 3416-3419——Average circulation in each year since 1857; for the last five years the average has been about 3,000,000 *l.*, *ib.* 3038, 3039.

Increased issue by the Bank if the circumstances of the country required it, *Du Bedat* 3043–3045. 3139–3143——Prospect of the circulation of the Bank reaching the full authorised amount, when new branches are established; decided objection on this score to the withdrawal or transfer of any portion of the authorised issue, *ib.* 3054. 3144–3146. 3175–3178. 3201–3209. 3278–3286. 3355–3363. 3378–3391.

Large increase in the circulation of other banks whilst that of the Bank of Ireland has decreased, *Du Bedat* 3179–3186——The circulation has been increasing of late years, *ib.* 3351——Objection to any commission to the non-issuing banks for circulating the notes of the Bank of Ireland, *ib.* 3378–3383.

Return of the average issues of the Bank in each November from 1846 to 1874, *App.* 478——Average issue of the Bank in 1874, together with the proportion of actual to authorised issue, and the proportion of small and large notes, *ib.* 504.

BANK OF IRELAND—continued.

2. *Action of the Bank in opening Branches:*

Slow action of the Bank of Ireland in opening branches in very small places, *Belton* 2598-2601. 2667-2676.

Steps being taken to extend the operations of the Bank and to establish branches wherever there is a demand for them, *Du Bedat* 3175-3178. 3201-3209. 3355-3363. 3384-3391.

3. *Practice as to Interest on Deposits and Current Accounts:*

Allowance of interest on deposits by the Bank of Ireland since 1865, *Belton* 2466. 2711——Practice since 1864 of allowing interests on deposits; large increase of branches since that year, *Du Bedat* 3053 —— Exceptional instances in which the Bank allows interest on current accounts, *ib.* 3067. 3105——Regulation of the interest on deposits by the rate of the Bank of England; minimum of two per cent. for some years past, *ib.* 3068, 3069. 3113-3115.

4. *Reserves kept in London; how Employed:*

Necessity of the Bank of Ireland keeping large and unprofitable reserves in London in order to meet its exchanges; particulars hereon, *Du Bedat* 3056-3060. 3149-3151 ——Explanation of the practice of the bank in lending some of their reserves in London to bill brokers, this being done directly from Dublin, *ib.* 3214-3234. 3274-3277.

Further particulars relative to the partial employment of the London reserves of the bank in loans to bill brokers, instead of discounts in Ireland; this money is at call and is a reserve in the second line, *Du Bedat* 3318-3348. 3354. 3420-3429.

5. *Conduct of the London business of the Bank through Agents:*

Statement as to the Bank of Ireland not having an office in London, witness not hearing that any complaint arises, *Belton* 2555. 2699-2701. 2704-2708——Exceedingly satisfactory manner in which the London business of the Bank is conducted by the Bank of England and another bank, there being no necessity for an independent establishment, *Du Bedat* 3012. 3235-3249.

6. *Expenses of Note Circulation:*

Evidence to the effect that the privileges of the Bank as to issue are attended with an expense of about 1½ per cent. upon the circulation, *Du Bedat* 3187-3192. 3253-3265. 3298-3302. 3309-3314. 3367-3372.

7. *List of Charges at Head Office and Branches:*

Circular, dated 21st April 1870, showing the charges to be made by the Bank and its branches on and after 1st May 1870, *App.* 476.

8. *Bank Post Bills:*

Immense decrease in the bank post bill circulation, owing to the extended use of cheques, *Du Bedat* 3040-3042.

Amount of bank post bills outstanding in November in each of the years 1845, 1850, 1855, 1860, 1865, 1870, and in June 1875; great decrease, *App.* 477.

9. *Other Details generally:*

Absence of compensation to the Bank of Ireland in 1845 upon giving up its monopoly of issue within fifty miles of Dublin, *Fitzgerald* 2345, 2346.

Great advantage to non-issuing banks in Ireland if they might utilise the unused issues of the Bank of Ireland, *Belton* 2404-2412——Doubt as to the Bank of England competing in England in the same way as the Bank of Ireland in Ireland, *ib.* 2413, 2414. 2491-2495——Use of Bank of Ireland notes by the Munster Bank without receiving any commission, *ib.* 2415-2418——Very little if any preference of the public for the notes of the Bank of Ireland as compared with those of other banks, *ib.* 2522-2524.

The notes of the bank are not a legal tender in Ireland; grounds for this statement, *Mills* 2923-2926. 2244-2947; *Du Bedat* 3021-3036. 3171-3174; *Bristow* 3464, 3465 —— Payment in full of the capital of the Bank of Ireland, there being no further liability, *Mills* 2927.

In Dublin the Bank has no special privileges, nor any monopoly, *Du Bedat* 3020——Payment into the Bank of all the Government taxes collected in Ireland, the surplus being remitted to the Bank of England; there is no remuneration for this business, *ib.* 3061-3065. 3102, 3103 —— Payment received by the Bank for management of the Unredeemed Public Debt, *ib.* 3066.

Report, 1875—*continued.*

BANK OF IRELAND—continued.

9. *Other Details generally*—continued.

Practice of the Bank as to receiving gold, and as to charging for light weight, *Du Bedat* 3072. 3152——Practice as to the collection of the cheques sent in by the non-issuing banks, *ib.* 3099-3101——Charge sometimes made for the collection of cheques paid in by customers, *ib.* 3104——Difficulty in calculating the per-centage cost of management with reference to the amount of deposits, *ib.* 3193-3200. 3304-3308.

Value of the Government business to the Bank, *Du Bedat* 3212, 3213. 3364-3366——The notes of the Bank are payable at every branch, *ib.* 3303——Practice of the Bank as to sending Bank of England notes to London, *ib.* 3375-3377.

Very large capital of the Bank of Ireland as compared with that of some non-issuing banks in Ireland which pay higher dividends, *Dun* 6344-6351. 6535-6538.

BANK OF SCOTLAND:

With regard to the Bank of Scotland, it never had a charter, and there was nothing in any of its Acts to prevent its coming to London, *Fleming* 201, 202.

Explanation that witness has not studied the private Acts of the Bank of Scotland as bearing upon the question of the exclusion of the Bank from London, *Stephen* 319-321.

Statement showing that on 27th February last the gold and silver coin held by the Bank of Scotland was about 390,000 *l.* (including 290,000 *l.*, as against excess of issue), and the notes of other banks, 36,417 *l.*, whilst the liabilities were 12,880,000 *l.*, *Davidson* 1013-1031.

Very small per-centage of coin to liabilities in the case of the Bank of Scotland as compared with the Bank of England; large available resources, however, of the former in the shape of Government securities, cash with London bankers, and short loans in London, *Davidson* 1029-1055. 1164, 1165——Grounds for the conclusion that the Bank of Scotland requires a much smaller proportionate reserve than a joint stock bank in London, *ib.* 1035-1048——Comparatively trifling amount of the issues of the Bank as compared with its other liabilities, *ib.* 1036.

Small business as yet being done by the Bank at its London branch, *Davidson* 1040-1043——Several reasons which have actuated the Bank in establishing a branch in London, one being the growing tendency of Scotch commercial houses to open accounts in London, *ib.* 1044——Motive also in the employment of its deposits, it being very difficult to employ them all in Scotland, *ib.* 1044. 1048.

Policy of the Bank to hold from a million to a million and a quarter in consols, *Davidson* 1055——Smaller proportionate reserve of coin of the Bank of Scotland than of other Scotch banks, the authorised issue of the former being larger than that of the latter, *ib.* 1254——Practice of the Bank to return its acceptances separately from its general loans, *ib.* 1291.

Conclusion as to the liability of the Bank of Scotland being limited, *Fleming* 1452-1454.

Admission that the foreign bill acceptances of the Bank have largely increased, the utmost care being, however, taken before the credit of the Bank is thus used, *Davidson* 7288-7299.

Average amount of bank notes in circulation, and of coin held, during the four weeks ending 21st March 1874, *App.* 448——Amount of liabilities and assets under different heads, as per last annual account, *ib.* 455——Total of 1,443,000 *l.* as the amount of acceptances, *ib.*

Returns of the daily note circulation, before and after giving effect to daily exchanges, from 29th March to 24th April 1875, *App.* 456-461——Table showing the average issue in 1874, the proportion of actual to authorised issue, and the proportion of small and large notes, *ib.* 502.

Analysis of balance sheets published in 1874, showing the net profits, the per-centages of net business profits, the dividends, &c., *App.* 464.

Banking Facilities. Similar footing of English and Scotch banks of issue as to the conduct of business in Scotland and England respectively, *Fleming* 118-121——Value attached to the right of issue chiefly as a means of extending banking business and of giving increased facilities to the public; illustration to this effect, *Seebohm* 4578 *et seq.*; *Dun* 6325-6328; *Bagehot* 7999-8001. 8071-8073.

Tendency of increased banking facilities to diminish circulation, *Rae* 5309-5311——Belief that every legitimate accommodation is given by the English banks, though the banking offices are much fewer in proportion than in Scotland, *ib.* 5314-5319. 5351

Banking Facilities—continued.

—— Facility in the conduct of banking business, to the benefit of the public, by means of note issues, *Palgrave* 6086–6089.

Absence of any radical distinctions between the Scotch and English systems of banking, *Dun* 6522–6524——Similarity between the Scotch and English systems of banking, but for the privileges of issue in Scotland, *Cooke* 6825–6827——Result of witness' experience that he believes the English banks offer all proper and legitimate facilities to the commerce of the country, *Palmer* 7539–7544.

See also *Branch Banks. Cash Credits. Cheques. Clearing House. Competition. Deposits. Public, The. Rates and Charges.*

Bankruptcies. Much larger proportion of bankruptcies generally in England than in Scotland; advantage of the Scotch banks on this score, *Palgrave* 5865–5874. 5885, 5886——Much greater expenses in the working of bankruptcies in England than in Scotland, *ib.* 6064–6066——Inclusion, doubtless, of Scotch firms among the bankruptcies in England, *ib.* 6119, 6120.

Belfast Banking Company. Return showing the average issue of the bank in each November from 1846 to 1874, *App.* 478——Average issue of the bank in 1874, together with the proportion of actual to authorised issue, and the proportion of small and large notes, *ib.* 504.

Belton, James H. See *Fitzgerald, Thomas, and James H. Belton.*

Berwick-upon-Tweed. Statement showing the large circulation of Scotch notes at Berwick, *Cooke,* 6629–6635——Large and increasing circulation of Scotch notes at Berwick since a Scotch bank has been established there; question hereon as to Berwick being a Scotch or English town, *Smith* 6871, 6872. 6926–6932.

BRANCH BANKS:

1. *England.*
2. *Ireland.*
3. *Scotland.*

1. *England:*

Degree of injury to English banks of issue, if their privileges were withdrawn; facility in the extension of branches by means of private issues, though witness' bank has found no difficulty on this score, *Wade* 2178–2205——Cost of from 400 *l.* to 500 *l.* a year in managing a small country branch in England, *ib.* 2316–2318——Calculation as to the minimum charge of conducting a branch in Cumberland, some local person being employed as agent, *Gordon,* 4517–4531.

Numerous additional banks established in England in the last 20 years, the privileges of the banks of issue not interfering with competition, *Rae* 5055–5057. 5126–5128——Very little advantage of English banks of issue as compared with Scotch on the score of extension of branches and competition for business, *Cooke* 6706–6741. 6745–6749.

2. *Ireland:*

Numerous branches of the Hibernian Bank in competition with issuing banks, *Fitzgerald,* 2349, 2350. 2354, 2355——Establishment of a great number of branches by the Munster Bank and by the National Bank, *Belton* 2361, *et seq.*

Room for a further extension of branches at the present time, *Belton,* 2446–2450. 2631–2633——Average of from 300 *l.* to 400 *l.* a year as the expense of small branches in Ireland, *ib.* 2463, 2464——Absorption of several independent banks in Ireland concurrently with a large extension of branches, *ib.* 2547–2551.

3. *Scotland:*

Special value of the right of issue against gold in the case of Scotch banks having many branches, *Davidson* 1116–1122. 1126–1128——Comparatively small number of branches of the banks which have been absorbed into the existing banks in Scotland since 1845, *ib.* 1123, 1124——Numerous branches in some Scotch towns, as in Brechin; facility thereby to depositors though involving increased expense to the banks, *ib.* 1133–1138——Very little gold at the branch banks, though a considerable amount of silver is required, *ib.* 1181–1184.

Limitation of branches in Scotland in places under 1,000 inhabitants, *Gairdner* 1265——Great value to the Scotch public by reason of the numerous branches, *Fleming* 1351, 1352——Doubt as to the branches costing, on an average, 500 *l.* each, though the expense of branches is doubtless an important element in reference to the question of profit, *Gairdner* 1369, 1370.

Better position of the Scotch than the English banks for the extension of small branches, *Gairdner* 1499, 1500. 1507, 1508——Cost of not more than 400 *l.* for many branches; still less where there is only a managing clerk and one office boy, *ib.* 1501–1503

Report, 1875—*continued.*

BRANCH BANKS—continued.

3. *Scotland*—continued.

1503——Less expense of a branch in Scotland than in England; facility by means of the right of over-issue, *Readman* 3803–3805. 3851–3855.

Decided advantage of the facility of providing till money free of interest, especially in the extension of branches, *Gordon* 3957–3963. 3979–3981. 4015–4021. 4040–4043; *Seebohm* 4672–4675. 4686–4693; *Bagehot* 8181–8184——Immense value of the issues in Scotland in facilitating the spread of branches, *Palgrave* 5985; *Cooke* 6566. 6676 *et seq.*

Enormous extension of branches in Scotland in the last twenty years, *Dun* 6189——Disadvantage to the Scotch banks in having established too many branches; doubt as to the public being injured if some of them were closed, *ib.* 6421–6429——Unnecessary expense where there are too many branches, without any real benefit to the public; instance of this, *Cooke* 6640, 6641. 6736–6739.

See also *Deposits.*

Bristow, James Thompson. (Analysis of his Evidence.) Has been a director of the Northern Bank of Ireland since 1852; 3430——Concert between this bank, the Belfast Bank, and the Ulster Bank as to their terms of business, 3431, 3432——Increase in the branches of these banks from forty-two in 1845 to 200 in 1875, Ulster being now very fully banked, 3433–3437. 3483——Total of 830,000 *l.* as the authorised issue of the three banks, the actual issue being 1,600,000 *l.*, and the average gold held about 1,000,000 *l.*; 3438–3441——Sufficiency of the present circulation in Ulster for the wants of the public, 3442, 3443. 3533–3539.

Necessity of the banks in Ulster obtaining gold from England every October against their excess of issue; reason for not procuring it from the Bank of Ireland, 3444–3449. 3491——Regulation of the rates for loans, &c. by the Northern of Ireland, Belfast, and Ulster banks by the rate of the Bank of Ireland, 3450–3452. 3540, 3541——Great value of the local issue of 1 *l.* notes in Ulster; deprecation of any substitution of a gold circulation, 3453–3455. 3530, 3531——Increasing amount of deposits in Ulster, chiefly in the agricultural districts, 3456–3459——Good local demand for bank loans, 3460, 3461. 3466.

Circumstance of the Hibernian Bank, which does not issue, having recently opened five branches in Ulster, 3462, 3463. 3495–3497——Belief that Bank of Ireland notes are not a legal tender, 3464, 3465——Value of the privilege of issue in facilitating the extension of branches by the Northern Bank, 3469–3473. 3515–3524——Estimate of something over one per cent. as the cost of issues, 3474–3477. 3529——Convenience if the issuing banks could keep Bank of England notes instead of gold against their issues; heavy cost at present on this score, 3478–3482. 3489. 3491–3494. 3533–3539.

Practice as to the commission and charges generally of witness' bank for business of different kinds, 3484–3488——Reserves kept in London; these are lying at call, 3490. 3542. 3569, 3570. 3601.

Considerations as to the advantages of issuing banks in competition with non-issuing banks, and as to the better opportunities of the former for giving facilities to the public at new branches, 3495–3524. 3532. 3576, 3577——Payment of a stamp duty of 7 *s.* per cent. upon the circulation, there being no license duty, 3525–3528——Calculation that the working expenses of the three banks represented by witness amount to 1½ per cent. upon the deposits, 3543–3548.

Satisfaction of witness' bank, on the whole, with the present regulations as to issue, 3549–3554. 3557——Probable explanation of the circumstance of equally good dividends being paid by some non-issuing as by issuing banks; reference hereon to the large dividends of the Belfast Bank and the Ulster Bank, 3558–3568. 3571–3575——Satisfactory conduct of the London business of the Northern Bank through an agent; conclusions adverse to an independent branch so far from the centre of management, 3578–3600.

British Linen Company. Information supplied by Mr. Fleming relative to the powers and privileges of this bank, which was established in 1746, *App.* 446.

Average amount of bank-notes in circulation, and of coin held, during the four weeks ending 21st March 1874, *App.* 448——Amount of liabilities and assets under different heads, as per annual account, *ib.* 455.

Returns of the daily note circulation, before and after giving effect to daily exchanges, from 29th March to 24th April 1875, *App.* 456–461——Table showing the average issue in 1874, the proportion of actual to authorised issue, and the proportion of small and large notes, *ib.* 502.

Analysis of balance-sheets published in 1874, showing the net profits, the per-centages of net business profits, the dividends, &c., *App.* 464.

Building Societies. Different classes who invest in building societies and who deposit in banks, *Cooke* 6810.

Report, 1875—*continued.*

Bullion. Increased amount of bullion held by the Bank of England since the Act of 1840, *Hodgson* 7861-7864——Limited quantity of bullion in the country save in the Bank of England, *ib.* 7886.

Average of 14,900 *l.* as the annual profits of the Bank of England on bullion for the ten years 1865 to 1874, *App.* 552.

See also *Bank of England,* I. 2.

C.

Caledonian Banking Company. Average amount of bank notes in circulation and of coin held during the four weeks ending 21st March 1874, *App.* 448——Return showing the liabilities and assets under different heads, as per last annual account, *ib.* 455.

Return of the daily note circulation, before and after giving effect to daily exchanges from 29th March to 24th April 1875, *App.* 456-461——Table showing the average issue in 1874, the proportion of actual to authorised issue, and the proportion of small and large notes, *ib.* 502.

Analysis of balance-sheets published in 1874, showing the net profits, the per-centages of net business profits, the dividends, &c., *App.* 464.

Capital and Reserves (Scotch and English Banks). Estimate of 6,650,000 *l.* as the total capital required by the Scotch banks if the right of issue were entirely withdrawn; that is, including 2,750,000 *l.* for redeeming the present authorised issue, *Davidson* 1235-1239——Decrease of capital of Scotch banks since 1845 concurrently with a large increase of deposits, *Gairdner* 1420, 1421.

Importance of the capital and reserves of banks being increased in proportion to increase of liabilities, *Wade* 2313-2315——Very strong position of English provincial banks, as regards the proportion of their capital and reserves to their total liabilities, *Palgrave* 5512, 5513. 5990——Numerous English banks included in a return showing that the capital and reserves are in the proportion of 18 per cent. of the total liabilities, the proportion in the case of the Scotch banks being under 16 per cent, *ib.* 5810-5812. 5837——Much smaller proportion of capital and reserves in the case of the London joint-stock banks then of the Scotch banks, *ib.* 5812, 5813. 5838, 5839.

Explanation that witness does not mean to imply that the Scotch banks do not conduct their business on as sound a system as the English banks, *Palgrave* 5814. 5837——Belief as to the large proportion of unpaid-up capital in English and Scotch banks; security thereby, *ib.* 6058–6063.

Considerable reduction in the capital of the Scotch banks since 1845, the deposits and other liabilities having immensely increased in proportion to paid-up capital and reserve, *Dun* 6202. 6397–6399——Proportion of 15 per cent. to the total liabilities now represented by the paid-up capital and reserve; authority of Mr. Gilbart cited to the effect that the proportion should be not less than 20 per cent., *ib.* 6202. 6400-6402.

Great difficulty in laying down any rule as to the proportion of capital which should be held in relation to deposits, *Dun* 6517-6520——Proportion contemplated between the issue of English banks generally and their paid-up capital; explanation in connection with certain views expressed by Sir Robert Peel on this point in 1845, *ib.* 6528, 6529. 6532-6534.

Return showing the proportion of issue to capital in the case of twenty-five banks in England and Wales, in 1844 and in 1874, *App.* 549——Statement showing the capital, reserves, deposits, and acceptances, and other liabilities, in the case of fifty-nine banks in England and Wales in 1875, *ib.* 389——Amounts of the capital, deposits, and circulation in 1844 and in 1874, of twenty-one issuing banks in England and Wales, *ib.* 390.

See also *Country Banks,* 6. *Reserves.*

Cash Credits. Similar system of cash credits in force in Cumberland and in Scotland, *Gordon* 3912, 3913——Facilities in Scotland as regards cash credits to small tradesmen on account of the privileges of issue, *Smith* 6980-6982.

Charges (Commission, &c.). See *Rates and Charges.*

Chartered Banks (Scotland). Out of eleven banks in Scotland the five senior are under charter, *Fleming* 14-16——Belief that the three senior chartered banks are banks of limited liability, *ib.* 55.

Cheques. Economy of bank notes in England through the increased use of cheques, *Wade* 2309——Large increase in the use of cheques in Ireland, and effect thereof in decreasing the circulation, *Belton* 2691, 2692; *Du Bedat* 3030. 3046–3049. 3416-3419——Great number of cheques received daily by the Bank of Ireland for collection throughout Ireland, *ib.* 3047-3049. 3147, 3148.

Facility to business in the cashing of cheques, free of charge by giving local notes in exchange for them, *Seebohm* 4594-4598. 4638-4644. 4679-4685. 4693——Belief as to the

Cheques—continued.

the less facility in the cashing of cheques where Bank of England notes are in circulation that where there are local issues, *Seebohm* 4643, 4644——Reason for the less facility in the cashing of cheques in the case of non-issuing banks, such as the London and County, than of issuing banks; charge made by the latter for cashing any cheques on other banks, *ib.* 4679-4685. 4702-4704.

See also *Clearing House.* *Rates and Charges.*

Chertsey Bank. Very small issue of the Chertsey Bank, though it may not be unequal in proportion to its capital, *Dun* 6368-6375.

Circulation (*Notes and Gold*). Data for the conclusion that, in proportion to the wealth of the two countries, the circulation in England is considerably smaller than in Scotland, *Palgrave* 5939. 5943-5945——Grounds for the assumption that the circulating medium in Scotland, including notes and gold, is as much as 9,000,000 *l.*, or about 2 *l.* 15 *s.* a head, and that the amount in England is 95,000,000 *l.*, or about 4 *l.* a head, *ib.* 5934-5952.——*See* also *Gold and Silver.* *Note Circulation.*

City of Glasgow Bank. Rush for payment of the 1 *l.* notes of the City of Glasgow Bank, in 1857, so that the bank closed for a time, though it re-opened and paid everyone in full, *Gordon* 4126-4139.

Average amount of notes in circulation, and of coin held, during the four weeks ending 21st March 1874, *App.* 448——Amount of liabilities and assets under different heads, as per last annual account, *ib.* 455.

Returns of the daily note circulation, before and after giving effect to daily exchanges, from 29th March to 24th April 1875, *App.* 456-461——Table showing the average issue in 1874, the proportion of actual to authorised issue, and the proportion of small and large notes, *ib.* 502.

Analysis of balance sheets published in 1874, showing the net profits, the per-centages of net business profits, the dividends, &c., *App.* 464.

Clearing House. Loss of only one day in sending cheques through the country clearing, instead of sending them direct to the bank on which drawn; degree of risk represented by this delay, *Atkinson* 1768-1774. 1847-1850. 2244-2248; *Rae* 5139, 5140——Facility in passing English cheques through the country clearing in London, this not applying in the case of Scotch cheques, *Gordon* 4050-4053.

Evidence as to the great loss of time in sending from Scotland cheques on English banks through the country clearing house; obligation felt, moreover, by the Scotch banks of presenting cheques for direct payment as promptly as possible, *Fleming* 5003-5015. 5026-5028.

Great value attached by witness' firm to the country clearing, as established some fifteen years ago; loss at the utmost of one day in using the country clearing, instead of sending a cheque direct by post, *Palgrave* 5699-5701. 5716——Legality of the country clearing, *ib.* 5701——Non-payment of any charge in respect of drafts collected through the country clearing, *Palgrave* 5702; *Cooke* 6626-6628——Circumstance of the West-end bankers in London not having joined the clearing house, *Palgrave* 5717-5721.

Explanation that there is no saving of till money by the operation of the clearing house, *Smith* 6963-6969——Non-admission to the clearing house of Scotch or other banks, which have not a head office and board in London, *ib.* 6970-6974.

Further considerations as to the non-admission of the Scotch banks to the country clearing house, and as to the difficulties in the way; considerable use of the country clearing by these banks under the present system, *Smith* 7193-7206. 7246-7250. 7256-7261——Information relative to the detailed working of the country clearing, *ib.* 7200, 7201. 7246-7248.

Advantage of the London clearing house as enabling bankers to largely reduce the amount of till money, *Bagehot* 8018-8020. 8187-8189.

Arrangements in force in Scotland on the subject of clearing houses for demand documents, *App.* 453.

Return of the Bankers' Clearing House (London) for the years 1868-74, showing the amount of the annual transactions and the weekly averages, *App.* 531——Rules for the conduct of a clearing of country cheques in London, *ib.* 546.

Report, 1875—*continued.*

CLYDESDALE BANKING COMPANY:

1. *Question as to the Legality of Independent Branches in Cumberland or in London.*
2. *Circumstances attending the establishment of Branches in Cumberland.*
3. *Operation of the Cumberland Branches.*
4. *Question of excluding the Bank from the County.*
5. *Other Details generally.*

1. *Question as to the Legality of Independent Branches in Cumberland or in London:*

Consideration given by the Clydesdale Bank, twenty years ago, to the question of opening branches in London; reasons for deferring action in the matter, *Readman* 3616–3620. 3711–3719——Opinions given by Sir Roundell Palmer and Mr. Moncrieff, in 1855, to the effect that the bank might legally open branches in England, *ib.* 3621–3624.

Conclusion of Sir Henry Thring as to the legality of the branches in Cumberland, *App.* 439.

Case submitted by the bank, in 1855, for the opinion of counsel; that is, in regard to the proposal of the bank to establish a branch in London, *App.* 479–482——Opinion of Sir Roundell Palmer as to the legality of the course proposed, *ib.* 482.

2. *Circumstances attending the establishment of Branches in Cumberland:*

Independent action of the Clydesdale Bank in coming south of the Tweed, the other Scotch banks having regretted this step, *Davidson* 1193–1196.

Very large connections of the Clydesdale Bank in the districts bordering upon Cumberland, and indirectly in that county; inducements therein to the bank to open branches at Carlisle, Workington, and Whitehaven, *Readman* 3625–3627. 3811–3814. 3869.

Witness protested, but without effect, against the establishment of the Clydesdale Bank in Cumberland, *Hon. A. L. Melville* 4969.

Statement as to the Scotch banks generally having disapproved of the action of the Clydesdale Bank in coming south of the Tweed, *Dun* 6203.

3. *Operation of the Cumberland Branches:*

Ordinary banking business carried on at these branches, *Readman* 3628——Scotch notes have never been issued at any of the branches, but have been received and cashed, subject to a charge when brought by strangers, *ib.* 3629–3637. 3696–3699——Particulars as to the amount received in 1*l.* notes, and in larger notes, at each of the three branches, *ib.* 3634–3636—— Respects in which it is a convenience to other banks in Cumberland that 1*l.* notes should be received at the branches of the Clydesdale Bank, *ib.* 3638–3643.

Similar rates charged at the Cumberland branches, as in Scotland, for cashing bills upon Scotland, *Readman* 3644–3650——Charge of 3*s.* 6*d.* per cent. for the cashing of 1*l.* notes brought by strangers, *ib.* 3667–3670——Particulars relative to the terms of business, and the charges generally, at the three branches in Cumberland, the Scotch banking system being adopted, *ib.* 3671–3674. 3720–3723. 3759–3769. 3856–3860. 3889–3891. 3897–3899——Statement as to the branches of the bank in Cumberland not having affected its calculation, *ib.* 3700–3703. 3777–3779——Belief that in Cumberland the new branches of the Clydesdale Bank are appreciated as a local convenience, *ib.* 3896.

Statement as to the manager of the Carlisle branch of the Clydesdale Bank having said that the bank had come to England to do business on the English system, *Gordon* 4252–4260. 4401——Complaint frequently made in the county as to the unfairness of the competition of the bank, *ib.* 4350–4355——Belief as to the very small business of the bank at its branches in the north of England, *Palgrave* 5955.

Good ground for complaint by English banks in Cumberland in regard to the invasion of that district by the Clydesdale Bank, with its legalised privileges of issue; much more unequal competition thereby than between issuing and non-issuing English banks, *Bagehot* 7972–7976. 8021–8023. 8051. 8056. 8068. 8070. 8162.

4. *Question of excluding the Bank from the County:*

Less hardship, if any, in excluding the Clydesdale Bank from the north of England, than the other Scotch banks from London, *Dun* 6418.

5. *Other Details generally:*

Establishment of the bank in 1838, its capital being 1,000,000*l.*, now all paid up, *Readman* 3603–3607——Very large extension of the business of the bank since 1852, there being now seventy-nine branches, three of which have been recently opened in Cumberland, *ib.* 3608–3615——Information as to the amount of gold and silver held by the

Report, 1875—*continued.*

CLYDESDALE BANKING COMPANY—continued.

5. *Other Details generally*—continued.

the bank in reference to its excess issue, *Readman* 3739–3746——Large proportion of the bank's deposits lent to customers, *ib*, 3755–3758.

High per-centage of profits of the Clydesdale Bank in proportion to its banking resources, *Cooke* 6636–6638. 6659, 6660.

Average amount of bank notes in circulation, and of coin held, during the four weeks ending 21st March 1874, *App.* 448——Return showing the liabilities and assets under different heads, as per last annual account, *ib.* 455.

Returns of the daily note circulation before and after giving effect to daily exchanges, from 29th March to 24th April 1875, *App.* 456–461——Table showing the average issue in 1874, the proportion of actual to authorised issue, and the proportion of small and large notes, *ib.* 502.

Analysis of balance sheets published in 1874, showing the net profits, the per-centages of net business profits, the dividends, &c., *App.* 464.

See also *Cumberland.*

Coin. See *Gold and Silver Coin.*

Colonial and Foreign Banks (*London*). Restrictions under the earlier banking Acts adverted to in support of the opinion that under the Act of 1833 foreign banks of issue could not have branches for deposit in London, *Stephen* 280–284. 317, 318——Legal prohibition of foreign and colonial banks of issue, as well as of Scotch banks of issue, from coming to London, *Sir H. Thring* 423. 432–434. 440. 442, 443.

Grounds for dissenting from Mr. Fitzjames Stephen's conclusions that under the Statutes of William the Third and Anne no foreign bank could come to London as a bank of deposit, *Tatham* 734–745.

Respects in which foreign or colonial banks in London do not compete in the same way as Scotch banks, *Wade* 1742–1744. 1872–1883——Concurrence in the views as to the absence of analogy between the position or business of colonial and Indian banks in London and of Scotch and Irish banks; that is, as regards the question of competition with English banks, *Mills* 2884–2888; *Rae* 5346, 5347. 5417, 5418. 5461, 5462; *Palmer* 7478.

Opinion that it is not desirable to exclude colonial banks of issue from London, *Palgrave* 5901.

Colonial or Foreign Banks (*Scotland*). Distinction between deposits with Indian or Colonial banks in Scotland and deposits with the home banks; that is, as regards the question of investment out of the country, *Crake* 7388, 7389.

Commercial Bank of Scotland. Return showing the average amount of notes of the bank in circulation, and of coin held, during the four weeks ending 21st March 1874, *App.* 448——Amount of liabilities and assets under different heads, as per last annual account, *ib.* 455.

Returns of the daily note circulation before and after giving effect to daily exchanges from 29th March to 24th April 1875, *App.* 456–461——Table showing the average issue in 1874, the proportion of actual to authorised issue, and the proportion of small and large notes, *ib.* 502.

Analysis of balance sheets published in 1874, showing the net profits, the per centages of net business profits, the dividends, &c., *App.* 464.

Compensation (*Surrender or Abolition of Issues*). Provision as to compensation for surrender of issues in England, but not in Scotland, *Wade* 1976–1978——Unfair advantage of Scotch banks as competitors if they received an indemnity in lieu of their privileges of issue, *Gordon* 4005–4008.

Claim to compensation if issuing banks were deprived altogether of their circulation by the State, *Seebohm* 4617; *Bagehot* 7998——Difficulty in computing the compensation sufficient to cover the entire loss by a withdrawal of issues, *Seebohm* 4636–4641.

Opinion that it would be fair to abolish the right of issue generally without compensation, though witness would not object to a compensation or annuity of one per cent., as in the case of his own bank, *Cooke* 6742–6744.

Inexpediency of varying the terms of commutation, *Palmer* 7436–7438——Compensation of one per cent. still given by the Bank of England for the surrender of issues, *ib.* 7834–7836. 7869.

Terms of absorption of local issues, according to the Act 7 & 8 Vict. c. 32, the compensation being fixed at one per cent., *App.* 552.

Competition. Information as to the keen competition between the banks in Scotland for customers, though there is full accord as to rates, *Gairdner* 965–977; *Davidson* 1095–1097. 1178–1180—— Full banking competition in England; ready extension of branches,

Report, 1875—*continued.*

Competition—continued.

Wade 1931. 2233, 2234——Great competition among the banks in Ireland; reduced scale of charges now in force, *Du Bedat* 3087-3091. 3104. 3273.

Considerations as to the advantages of issuing banks in competition with non-issuing banks, and as to the better opportunities of the former for giving facilities to the public at new branches, *Bristow* 3495-3524. 3532. 3576, 3577.

Numerous banks in England as compared with Scotland, the competition being far greater in England, *Gordon* 4546-4548——Open field for competition in any part of England, *Seebohm* 4733——Very complete banking competition in England, branches being often wherever they are required, *Rae* 5055-5057. 5126-5128; *Palgrave* 6024-6034.

More numerous banks in England than in Scotland, the competition in England being very keen, *Dun* 6178. 6180——Diminished competition in Scotland, to the prejudice of the public, by reason of the monopoly of the existing banks, *ib.* 6186, 6187.

See also *Banking Facilities.* *Branch Banks.* *Clydesdale Banking Company.* *Colonial and Foreign Banks.* *Cumberland.* *Deposits.* *Excess of Authorised Issues.* *Insurance Companies.* *Monopoly (Scotch Banks).* *Non-issuing Banks.* *Public, The.* *Scotch Banks.*

Convertibility of Notes. See *Bank of England*, I. 5. *Exchangeability of Notes.*

Cooke, Thomas. (Analysis of his Evidence.)—Is Chairman of the Manchester and Liverpool District Bank, 6540——The bank was established in 1829, and is not a bank of issue, 6541-6543——The head office is in Manchester, and there are about fifty branches, some of which are only open for one or two days in the week, 6545-6548. 6758, 6759——There is no license paid when a new branch is opened, 6549.

Total of 905,000 *l.* as the paid-up capital of the bank, the deposits being about 12,500,000 *l.*; 6550, 6551——Proportion between the reserves of the bank and the liabilities to the public; large reserve in the Bank of England branches at Manchester and Liverpool, 6552-6557——Liability of the shareholders for a further sum of 905,000 *l.*, of unpaid capital, besides which the bank is one of unlimited liability, 6554.

Rare instances of inconvenience or difficulty in cashing at Liverpool or Manchester Bank of England notes issued in London, 6558, 6559——Practice of witness' bank as to charging for the cashing of Bank of England notes if presented at towns where they are not issued; explanation hereon as to interest being allowed on all sums whether paid in to current accounts or as deposits, 6560-6563——Dividend of 20 per cent. paid by the bank for the last nine years, 6564.

Great advantage of the Scotch banks over the bank represented by witness; more advantageous position also, though in a much less degree, of English provincial banks of issue, 6565-6569. 6576-6580. 6781, 6782——Immense value of the issues in Scotland in facilitating the spread of branches, 6566——Expediency of its being made clear what amount of circulation in Scotland is hidden under the system of weekly exchanges; undue privilege on this score, 6567. 6601——Explanation as to witness' bank having given up its right of issue, in 1844, and having accepted an annuity of one per cent. on the amount from the Bank of England, 6570-6575. 6706-6712. 6760-6763.

Conclusion as to issues being a source of danger to provincial banks in times of commercial distress, 6571, 6572——Belief as to Sir Robert Peel having considered one bank of issue the right principle, 6573. 6609——Grounds for the conclusion that the Scotch banks, by their privileges of issue at home, have an undue and unfair advantage over English provincial banks in the establishment of competing branches in England; admission on the other hand as to the public advantage of branches, 6576-6601. 6640, 6641. 6732-6741. 6767.

Practically unlimited powers of issue of the Scotch banks, 6599-6601. 6655-6658——Doubt as to Scotch banks conducting their business on cheaper terms than English banks, 6602, 6603——Statement as to England being much over-banked at present, owing mainly to the principle of limited liability under the Companies Act of 1862; 6604, 6605——Undue competition between discount bankers in London in the placing of loanable capital, 6604. 6697-6705——Opinion that the most expedient course, with a view to equality and uniformity, is the gradual abolition of all private issues, in Ireland and Scotland, as well as in England, 6606-6609. 6611. 6620-6622.

Strong deprecation of a local issue of 1 *l.* notes in England; less objection if they were issued against gold, 6610-6619——Universal discredit of private issues in England during the pressure of 1825; 6610. 6764——Respects in which it would be most advantageous in a public point of view if all issues were confined to a national or State bank, 6620-6623. 6764, 6765——Very dangerous business of the Scotch banks in London in accepting bills from India and other foreign countries, 6623-6625——Non-payment of any charge by witness' bank in respect of drafts collected through the country clearing, 6626-6628.

Statement

Report, 1875—*continued.*

Cooke, Thomas. (Analysis of his Evidence)—*continued.*

Statement showing the large circulation of Scotch notes at Berwick, 6629-6635——Calculation purporting to show the entire fallacy of the test applied by Mr. Gairdner in arriving at the relative charges of Scotch and English banks; great variation in the per-centages of profits, 6636-6639——High per-centage of profits of the Clydesdale Bank in proportion to its banking resources, 6636-6638. 6659, 6660——Unnecessary expense where there are too many branches, without any real benefit to the public; instance of this, 6640, 6641. 6736-6739.

Great improbability of the rate of interest in England being affected by the superflous capital introduced from Scotland by the Scotch banks, although such capital would facilitate an unfair competition with English banks, 6642-6651——Decided approval of the policy of Mr. Goschen's Bill, witness contending that it is only common justice that the Scotch banks should be prevented from coming to London, 6652-6654. 6738-6741. 6747.

Argument that it is better to level the Scotch banks down to the position of the English banks than to "level up" the latter to the privileges of the former, 6661-6665——Defence of the proposal for expelling from England those Scotch banks which have stolen a march upon their fellows; opportunity of such banks to obtain compensation for their business by transferring the good-will, 6666-6676——Further approval of the principle of a State issue; difficulty apprehended inasmuch as the banking department of the Bank of England would not in such case be used by bankers in the same way as at present for the purpose of obtaining notes, 6677-6684.

Opportunities of the Scotch banks, by means of their powers of issue, for obtaining deposits at low rates in Scotland, and for discounting in England at a lower rate than English banks, 6685-6689. 6740, 6741. 6747——Further evidence as to the undue privilege of issue under the system of weekly exchanges, and as to the very large excess of issue thereby, 6689-6696. 6716-6731. 6770-6775——Very little advantage of English banks of issue as compared with Scotch banks, on the score of extension of branches and competition for business, 6706-6741. 6745-6749.

Opinion that it would be fair to abolish the right of issue generally without compensation, though witness would not object to a compensation or annuity of one per cent., as in the case of his own bank, 6742-6744——Decreasing private issues in England, the non-issuing banks making no grievance on this score; very small proportion borne by the issues to the total liabilities, 6747. 6780. 6856——Impression as to the provincial banks of issue not being allowed to come within sixty-five miles of London; doubtful state of the law on this point, 6747-6749.

Prospect of serious competition in Manchester, as in London, by the introduction of Scotch capital obtained on easy terms, 6747. 6750, 6751——Non-objection to the Scotch banks having agencies in London, so long as they do not establish large and competing branches; advantages of the former system, as in the case of witness' bank, 6752-6755 6776-6778——Necessity of the Scotch banks keeping much more gold if their notes were exchanged daily, 6756, 6757——Illustration in the case of witness' bank of the increase of deposits in times of panic or commercial disaster, 6766.

Great importance of bankers holding ample reserves, 6768, 6769——Advantage in banks confining themselves to their proper localities, where their customers are known to them, 6779——Non-competition of any issue bank in Manchester or Liverpool, 6783, 6784. 6833——Illustrations of the unfairness of the competition of Scotch banks in England, by reason of their privileges of issue and of the cheap capital thereby provided, 6785-6791——Speculative business done by Scotch as well as English banks, 6792-6794.

Grounds for witness' objection to the extensive adoption of the principle of limited liability in banking, 6795-6803——Entire satisfaction of witness with the present regulations as to Bank of England issues, 6804, 6805——Approval of the great extension of deposits, so long as the banks allow only such rates as will enable them to employ the money profitably and safely, without doing speculative business, 6806-6809——Different classes who invest in building societies and who deposit in banks, 6810——Sufficient banking facilities in the provinces for the collection of deposits, 6811, 6812.

Strong objection to such paper issues in England as in Scotland, whilst, if gold must be held against such issues, no benefit would result from them, 6813-6815——Large stock of gold and silver necessarily kept by witness' bank for the payment of wages, 6816. 6818-6820. 6822——Great demand for half sovereigns in the payment of wages in Lancashire; less facility in obtaining them than sovereigns from the Bank of England, 6816, 6817——Difficulty in checking a system whereby all banks might issue against gold, 6821-6824.

Similarity between the Scotch and English systems of banking, but for the privileges of issue in Scotland, 6825-6827——Very dangerous position of witness' bank in 1839 and 1840 owing very much to Scotch management, 6825, 6826——Reference to the paid-up capital and reserve fund of witness' bank in 1874, as being in the proportion of 12

Report, 1875—*continued.*

Cooke, Thomas. (Analysis of his Evidence)—*continued.*

per cent. to the deposits, 6828, 6829——Proportion of 34 per cent. borne by cash and investments to total liabilities, 6829–6832. 6857-6859.

Examination to the effect that the abolition of provincial issues would not cause any serious inconvenience locally, whilst the community at large would be gainers, 6833–6854——Explanation of the practice, respectively, of issuing and non-issuing banks as to charging their customers a commission upon all withdrawals from their accounts; that is, where such accounts carry interest, 6836–6850——Exceptions taken to a requirement that issuing banks in England should deposit securities; increased safety, however, of these issues if this precaution were enforced, 6855, 6856.

Cost of Issue. See *Bank of Ireland*, 6. *License Duty.* *Northern Bank of Ireland.* *Note Circulation*, 8. *Scotland*, 2. *Stamp Duty.*

Country Banks (Local Issues):

1. *Value of Local Issues, on various Grounds; Objections to the Substitution of Bank of England Issues.*
2. *Information as to the Authorised Issues and the actual Circulation.*
3. *Legal Claim of the English Country Banks of Issue to a Continuance of their Privileges.*
4. *Question of Provincial Banks of Issue coming to London.*
5. *Opposition of Country Banks to the Establishment of Scotch Banks in England.*
6. *Capital and Reserves of Provincial Banks in Proportion to their Liabilities.*

1. *Value of Local Issues, on various Grounds; Objections to the Substitution of Bank of England Issues:*

Degree of advantage of private issues as a means of advertisement; difficulty in appraising this advantage, *Wade* 2216-2223——Evidence as to the advantages of the system of local issues on several grounds, *Seebohm* 4578 *et seq.*——Advantage of local notes over Bank of England notes, on the score of their more ready exchangeability, *ib.* 4578–4591. 4694–4701——Great advantage of local issues in facilitating small transactions, which are the beginnings of trade, *ib.* 4594–4603. 4638–4644. 4677–4693.

Calculations in support of the conclusion that the extinction of local issues, by their transfer to the Bank of England, would not be any source of revenue to the State, *Seebohm* 4604, 4605——Value of the issues to the bankers, not merely in the direct profit on the circulation, by saving of interest, but still more by developing transactions and business essential to banking success, *ib.* 4606. 4627. 4672–4693——Explanation as to local issues being superseded in manufacturing centres by the operation of the branches of the Bank of England; value of the former chiefly in rural districts, *ib.* 4614–4616.

Probable loss to the country of a very large amount of capital by withdrawing the country issues and by substituting two-thirds of the amount in Bank of England issues, *Seebohm* 4757–4759. 4821——Objection to joint stock banks of issue coming to London, as tending to destroy the local character of banking, *ib.* 4783–4785. 4958.

Result of recent inquiries as to the relative value attached locally to the notes of the North and South Wales Bank and to Bank of England notes; conclusion as to the expediency of retaining the country issues, *Rae* 5052–5054.

Grounds for the conclusion that local issues are exceedingly useful and should be maintained, *Rae* 5052–5054——Value of the issues of the county banks in not being subject to great and irregular fluctuations in the reserve of gold in the Issue Department of the Bank of England, *ib*, 5054.

Necessary employment of a much larger amount of the notes of the Bank of Englaad if the country bankers could not issue their own notes; illustration of this in the case of the Yarmouth herring fishery, *Palgrave* 5504–5506——Conclusion that if the provincial circulation were abolished and centralised in the Bank of England, the fluctuations in the demand upon the Bank reserve and the fluctuations in the rate of discount would be increased and augmented, *ib.* 5539. 5544. 5722, 5723——Prejudicial effect upon the interests of the country at large if the country circulation were abolished, *ib.* 5540. 5544–5546.

Better position of country bankers, by reason of the power of issue, to offer advantageous terms to the public, *Palgrave* 5546.

Great difficulty in valuing the right of issue; important value indirectly as well as directly, *Palgrave* 5608–5617. 5631–5633. 5670–5694——Respects in which the substitution of Bank of England notes for the notes of local banks in the provinces would operate much to the inconvenience of the public, whilst it would enhance the local demand upon the Bank of England reserves, *ib.* 5553–5574——Twofold increase of pressure upon the reserve of the Bank of England if the provincial note issues were withdrawn, *ib.* 5722, 5723. 6038–6043.

Report, 1875—*continued.*

COUNTRY BANKS (LOCAL ISSUES)—continued.

1. *Value of Local Issues, on various Grounds, &c*—continued.

Several respects in which country banks benefit by issuing their own notes instead of those of the Bank of England, *Palgrave* 6015, 6016. 6053-6055——Advantage of the local issues of provincial banks further adverted to, more especially in reference to the fluctuations in the demand upon the Bank of England reserves, *ib.* 6131-6144.

Evidence in support of the conclusion that the country issues in England and Scotland are at the root of the banking habits of the people and of the system of deposits, *Bagehot* 7999-8001. 8071-8073——Further statement as to the importance of maintaining local issues in the interests of the public, *ib.* 8177-8180.

2. *Information as to the Authorised Issues and the actual Circulation:*

Decreased proportion of country notes in England, as compared with the increased business of the banks, *Wade* 2311, 2312——Absence of local issues in those districts only where there are Bank of England branches, *Seebohm* 4584, 4585——Particular districts in which the local issues fall short of the authorised amount, *ib.* 4598——Tendency of increased local issues to take the place of Bank of England notes to some extent, *Rae* 5422.

Reference to certain tables (*App.* 487-492) as showing that the provincial issues fluctuate considerably during the year, *Palgrave* 5495-5501——Data in support of the conclusion that the large diminution in the country note circulation, at particular periods, is due entirely to the decreased demands of trade, *ib.* 5500-5503.

Reference to a tabular Return (*App.* 493-499) of private and joint stock issuing banks in England and Wales, showing in each case the authorised and actual issues, and the proportion of the latter to the former, *Palgrave* 5507——Great variation shown by the foregoing Return in the proportion of actual to authorised issue, this depending largely upon the locality; much larger proportion of actual issue beyond the sixty-five miles radius, *ib.* 5508-5510.

Local and exceptional circumstances which account for the exceedingly small issue of some banks, and the very full issue of others, in proportion to their authorised issue; reference especially to the effect of changes in the mode of payment of wages, *Palgrave* 5547-5551——Probability of considerable fluctuations in the circulation of some country banks which are usually close up to their authorised issue; such fluctuations are doubtless met by Bank of England notes and coin, *ib.* 5566-5574.

Other causes than that of any want of public confidence which account for the issues of country banks in England being so much short of the authorised amount, *Palgrave* 5808, 5809——Further reference to the decrease in the note circulation of the English provincial banks as not in any way the result of want of confidence; great increase of deposits adverted to hereon, *ib.* 6035-6037.

Several respects in which the country issues are much stronger than in 1844; reference hereon to a table (*App.* 553) showing the large amount of lapsed issues, *Dun* 6245-6253——Decreasing private issues in England, the non-issuing banks making no grievance on this score; very small proportion borne by the issues to the total liabilities, *Cooke* 6570. 6747-6780. 6856.

Diminution from 8,648,853 *l.* in 1844, to 6,624,163 *l.* in 1874, in the authorised issue of provincial banks in England and Wales, *Palmer* 7430——Severe pressure on the Bank of England on the part of the provincial banks in 1866; great demand for Bank of England notes on this occasion, *Hodgson* 7847-7851. 7936-7938. 7945-7947.

Statistics in detail, submitted by Mr. Palgrave, relative to the country note circulation in banks, in England and Wales, in each year since 1844, *App.* 486 *et seq.*

Return showing the name of each bank in England and Wales authorised to issue notes, in April 1875; the amounts of the authorised and the actual average issue of each bank during 1874; the proportion of each actual issue to the authorised issue; and the character of the locality in which the business is carried on, *App.* 493-499.

3. *Legal Claim of the English Country Banks of Issue to a Continuance of their Privileges:*

Belief of the country banks generally that the Act of 1844 was a final settlement as regards the continuance of the right of local issue, save by voluntary surrender, *Seebohm* 4607-4613. 4705-4708——Examination to the effect that the State should look primarily to the convertibility of the bank note, but with due consideration for existing rights of local issue, *ib.* 4658-4668.

Argument in further support of the conclusion that the privileges of local issuing banks were intended by the Act of 1844 to be continued equally with those of the Bank of England; clause of the Act of 1856 adverted to hereon, *Seebohm* 4708. 4713-4716.

Provisions of the Act 19 & 20 Vict. c. 20, as well as of the Act of 1844, considered with reference to the question of permanency of provincial issues; grounds for the con-

COUNTRY BANKS (*LOCAL ISSUES*)—continued.

3. *Legal Claim of the English Country Banks of Issue, &c.*—continued.

clusion of the country bankers that, under the Act of 1844, their privileges would not be interfered with, *Palgrave* 5541. 5575-5591.

4. *Question of Provincial Banks of Issue coming to London:*

Less object in small English country banks coming to London, than in the large Scotch banks doing so; facility of doing their London business without establishing branches, *Dun* 6408-6411——Obstacle to country banks of issue in England having a branch in London by the addition or withdrawal of a partner, so as to evade the law, *Smith* 6960-6962.

Approval of the policy of restraining provincial banks of issue from opening branches within sixty-five miles of London, unless they give up their rights of issue, *Palmer* 7472-7476. 7479, 7480. 7768——Non-circulation of country notes in London or adjacent districts, *ib.* 7640-7643——Concurrence in the objection to country banks of issue coming within the sixty-five miles radius, *Palmer and Hodgson* 7768, 7769.

5. *Opposition of Country Banks to the Establishment of Scotch Banks in England:*

Explanation as to witness on the part of the English country bankers having opposed the Bill of the Royal Bank of Scotland in 1873, in order to exclude the bank from the provinces but not from London, *Wade* 1890-1903——Unanimous action on the part of the provincial and metropolitan banking interest in opposition to the establishment of the Scotch banks in London, *Smith* 6863, 6864. 6869.

6. *Capital and Reserves of Provincial Banks in proportion to their Liabilities:*

Statistics (*App.* 549) showing the very strong position of the English provincial banks as regards the proportion of their capital and reserves to their total liabilities; returns from fifty-nine banks cited in illustration, *Palgrave* 5512, 5513.

Further statement as to the sound position of banks in England and Wales, by reason of the large proportion of capital and reserves; mode of investment of the assets adverted to, *Palgrave* 5990. 6067-6076.

See also *Abolition of Local Issues.* *Acts of Parliament.* *Agricultural Districts.* *Assimilation of the Law.* *Averages (Note Circulation).* *Bank of England*, II. 2. *Banking Facilities.* *Branch Banks.* *Clearing House.* *Compensation.* *Deposits.* *Excess of Authorised Issues.* *Exchangeability of Notes.* *Extension of Issues.* *Failures of Banks.* *Gurneys & Co.* *Joint Stock Banks.* *National Provincial Bank.* *Non-issuing Banks.* *North and South Wales Bank.* *Note Circulation.* *Peel, Sir Robert (the late).* *Private Banks.* *Public, The.* *Rates and Charges.* *Security for Issues.* *State Issues.* *Stuckey's Bank.* *Surrender of Issues.* *Trade.*

Crake, William Hamilton. (Analysis of his Evidence.)—Is a Director of the London and Westminster Bank, and is a member of the London Bankers' Committee, 7300-7302 Considers that the privileges of issue of the Scotch banks have given them a monopoly, which it would be unjust to extend into England, 7303-7305——Submits that the competition of the Scotch banks in England would be contrary in the long run to the public interest, though they might transact certain business more favourably for the public, 7306. 7357-7365.

Concurrence in Mr. Smith's evidence on the subject of commission and other charges, 7307——Great advantage of the 1*l.* note circulation to the Scotch banks, whereas England bears the burden of maintaining the gold reserve, 7308-7312.

Evidence in strong deprecation of the increasing practice of Scotch banks in accepting foreign bills; grounds for the conclusion that this business belongs properly to commercial firms and is not the legitimate business of bankers, 7313-7327. 7366-7407. 7413-7424——Avoidance of foreign acceptances by the London and Westminster Bank as much as possible; total of about 1,000,000*l.*, mainly for bankers, 7318. 7320. 7366-7378. 7384. 7413, 7414. 7421-7423.

Opinion that any capital brought into England by the Scotch banks cannot affect the rate of interest, 7328, 7329——Expediency of the banks being required to give up their privileges of issue if they come to England, 7330——Operation of Scotch competition in London and of the monopoly in Scotland in causing the withdrawal of accounts from English banks in London, 7331-7333——Advantageous position of the Scotch banks in being enabled by their privileges to undertake certain business free of charge, to the injury of the London banks, 7331. 7425-7427.

Practical exclusion of English banks from Scotland, as not having the power of issue, 7332-7336——Grounds for dissenting from the inference that the successful competition of non-issuing banks in Ireland goes to prove that a similar result is feasible in Scotland, 7337-7350——Obligation upon the people of Scotland to take the existing notes, unless they demand gold; full confidence doubtless in the former, 7351-7356.

Injustice

Report, 1875—*continued.*

Crake, William Hamilton. (Analysis of his Evidence)—*continued.*

Injustice and inequality in the treatment of English banks by the Legislature as compared with the treatment of Scotch banks, 7357–7362——Distinction between deposits with Indian or Colonial banks in Scotland and deposits with the home banks: that is, as regards the question of investment out of the country, 7388, 7389——Obstacle to successful competition in Scotland even if English banks could now go there with the same privileges as the Scotch banks, 7408–7412.

CUMBERLAND:

1. *Cumberland Union Bank.*
2. *Details relative to the English Banks generally in the County.*
3. *Unequal Competition with Scotch Banks.*
4. *Restriction upon the Cumberland Banks coming to London.*
5. *Preference for Local Notes as compared with Notes of the Bank of England.*
6. *Circulation of Scotch Notes in the County.*

1. *Cumberland Union Bank:*

Head office of the bank at Carlisle, it having fifteen branches in the county and two out of it, *Gordon* 3902–3904——Circumstances under which a charge of 3*s.* 6*d.* per cent. is sometimes made for 1 *l.* notes received at the bank, *ib.* 3917–3920——The capital of the bank is 225,000 *l.* and the reserve 83,000 *l.*, *ib.* 3923—— The authorised issue is 35,395 *l.*, the actual issue being nearly that amount, *ib.* 3927, 3928——Practice of witness' bank to exchange Scotch notes for its customers before the Clydesdale Bank came into the county; increasing circulation since the advent of the latter, *ib.* 4034–4036. 4073–4077. 4369–4377.

Statement in further explanation of the charges made for cashing Scotch notes under different circumstances; absence of charge for receiving such notes when accounts have debtor balances, *Gordon* 4078–4092. 4393, 4394. 4477–4483. 4487–4490 ——Extent to which the rates of witness' bank have been modified in view of the competition of the Clydesdale Bank; similar rate at all the branches, save at Hexham, *ib.* 4171–4184. 4463–4467—— Varying rate of interest allowed upon current accounts according to the character of each account, *ib.* 4185–4191.

Question further considered as to the relative charges of witness' bank and of Scotch banks for the collection of cheques; absence of charge by the former for any cheques through the country clearing, *Gordon* 4194–4209. 4387–4399. 4452, 4453. 4549–4553 ——Practice as to charging commission or interest where the current accounts have debtor balances, this commission covering all charges, *ib.* 4199, 4200. 4378–4399—— Varying rate of discount charged in discounting local paper, whilst the Scotch banks prefer to adhere to a uniform rate, *ib.* 4210–4223. 4491–4494——Explanation as to witness' bank sometimes discounting for other banks; reduced terms in such cases, *ib.* 4224–4227. 4468–4470.

Net profit of nearly 15 per cent. made by the Cumberland Union Bank in 1874, after deducting 4 per cent. upon capital and upon reserve, *Gordon* 4228–4236——Absence of injury hitherto from the competition of the Clydesdale Bank, though witness is very apprehensive as to the future, *ib.* 4237–4251——Large increase in the capital of the Cumberland Union Bank since it commenced business in 1829; circumstance of only 12 *l.* 10 *s.* having been called up on each 20 *l.* share, *ib.* 4261–4266.

Explanation as to the circulation of the bank being sometimes in excess of the authorised amount, due care being however taken to bring it within the proper limit during the last week of the month, *Gordon* 4270–4286——Special arrangement in each case as to the interest charged by the bank when the accounts are overdrawn; general charge of 5 per cent., *ib.* 4333–4346. 4474–4476——Free circulation of the notes of the bank in Cumberland; advantage if there were power in the bank to issue against gold as against securities, *ib.* 4410–4419. 4427, 4428. 4444–4448.

Large amount of gold and Bank of England notes held by the bank in proportion to its circulation, *Gordon* 4454, 4455. 4508——Large reserves of the bank in proportion to its deposits, &c., *ib.* 4508–4511——Circumstances under which Scotch notes are sometimes given by the bank to customers going to Scotland, *ib.* 4532–4534.

2. *Details relative to the English Banks generally in the County:*

Doubt as to the charges at the English banks in the county; witness has heard however that they are higher than those of the Clydesdale Bank, *Readman* 3651–3660. 3677, 3678. 3836–3838——Question as to Scotch banks in Cumberland having any advantage over Cumberland banks in Scotland; that is, as regards the notes put in circulation in each case, *ib.* 3878–3888.

Similar system of banking of the Cumberland banks and of the Scotch banks; practice in the former case as to allowing interest on current accounts and on deposits, whilst the system of cash credits is precisely the same as that of the Scotch banks, *Gordon* 3906–3920. 4037——Statement of the number of accounts of the five joint stock banks in Cumberland, classified according to different amounts or balances; total of 3,919,931 *l.*, including

CUMBERLAND—continued.

2. *Details relative to the English Banks generally in the County*—continued.

including deposit receipts and balances on current accounts, *ib.* 3921, 3922——Amount of the capital and reserve of each bank; aggregate capital of 523,000*l.*; *ib.* 3923——Authorised circulation of 145,574*l.*, the actual circulation being much under this amount, *Gordon* 3924-3928.

Desire of the banks to have the privilege of issue against gold; willingness on their part to give security for their issues, *Gordon* 3929-3932——Extended banking accommodation throughout Cumberland, as well as in Scotland, it being a question whether it is politic to drain the country so thoroughly of money as is done by the Scotch banks, *ib.* 3955, 3956. 4297-4311 ——Belief as to the entire sufficiency of the present banking accommodation in Cumberland; very full facilities provided, *ib.* 3955, 3956. 4454-4462.

Evidence to the effect than in their charges to customers and the public, the Cumberland banks offer as good terms and facilities as the Scotch banks in the county; reference more especially to the discount of bills upon Glasgow, the collection of cheques on Glasgow &c., *Gordon* 3964-3978. 4039. 4050-4063——Difficulty in ascertaining how many Cumberland notes go into Scotland, *ib.* 4093, 4094.

Association of bankers in Cumberland and Westmoreland some years ago; this does not now exist, but there is a general understanding as to the rate of interest on deposits, reference being had to the Bank of England rate, *Gordon* 4155-4171. 4192, 4193——Circumstance of the deposits of the Cumberland banks being practically at call, though nominally some days' notice is stipulated for, *ib.* 4502-4507——Daily exchange of notes between banks in the county, *ib.* 4536, 4537.

3. *Unequal Competition with Scotch Banks:*

Advantage of Scotch banks in Cumberland in that they are enabled to employ capital raised in Scotland more cheaply than the Cumberland banks can raise capital, *Gordon* 3981-3985. 3999-4008——Obstacles to any successful competition of Cumberland banks in Scotland as they would be obliged to use the notes of the existing banks, *ib.* 4014-4021.

4. *Restriction upon the Cumberland Banks coming to London:*

Belief as to the Cumberland banks of issue being restricted by law from going to London, although witness' bank is not so restricted, *Readman* 3661-3666——Legal prohibition upon the Cumberland banks coming to London, *Gordon* 4442, 4443.

5. *Preference for Local Notes as compared with Notes of the Bank of England:*

Statement as to the notes of local banks being preferred in the county to Bank of England notes, *Gordon* 4022-4024——Instance of the preference of the people of Cumberland for local notes as compared with Bank of England notes; practice of witness' bank as to stamping the latter, *ib.* 4423-4426. 4429, 4430.

6. *Circulation of Scotch Notes in the County:*

Increasing circulation of Scotch notes in Cumberland, *Wade* 1752. 2001——Belief that the circulation of 1*l.* notes in Cumberland has not increased to any preceptible degree since the opening of the branches of the Clydesdale Bank, *Readman* 3704-3707. 3772-3776.

Increasing number of Scotch notes received at the Cumberland Union and other Cumberland banks, and sent to Scotland; conclusion that the circulation of 1*l.* notes and other Scotch notes will further increase, owing to the branches of the Clydesdale Bank in the county, *Gordon* 3933-3947. 4025, 4026.

Further information relative to the increasing amount of Scotch notes passing through the Cumberland Union Bank since the Clydesdale Bank has opened in Carlisle, *Gordon* 4034-4036. 4073-4077. 4369-4377——Opinion that the increased circulation of 1*l.* notes in the county does not prove that the public prefer them or find them a convenience, *ib.* 4095-4100.

Conclusion that though Bank of England notes are a legal tender in Cumberland and Scotch notes are not, the latter will greatly increase in circulation if Scotch banks establish themselves in the county, *Gordon* 4287-4294——Considerable amount of 1*l.* notes and upwards already taken by the Clydesdale Bank in Cumberland, *ib.* 4294-4296——Preference of the people of Cumberland for sovereigns as compared with 1*l.* notes, *ib.* 4347-4349.

See also *Clydesdale Banking Company.*

Current Accounts. Rate allowed in Scotland but not in England upon the daily balances of current accounts, *Gairdner* 1272——Greater liberality of Scotch than English banks in the rates of allowance on current accounts; practice of the Union Bank of Scotland in this respect, *ib.* 1479-1486——Practice of banks in England as to allowance of interest on current accounts, *Hon. A. L. Melville* 4975.

See also *Rates and Charges.*

Report, 1875—*continued.*

D.

Davidson, David. (Analysis of his Evidence.)—Is Treasurer of the Bank of Scotland; has been deputed by the Scotch banks (together with Messrs. Fleming and Gairdner) to give evidence before the Committee, 761, 762——Submits an extract from a recent Minute of the Scotch banks, relative to the advantages of the present system of banking in Scotland, and the importance to the public and the banks of the right of issue, 762.

Information relative to the number, date of establishment, and capital of the Scotch banks; smaller capital in 1875 than in 1845 or 1855, owing to the failure of the Western Bank, 764-766——Establishment of twenty-nine private banks all of which ceased to exist before 1845, eleven having failed or been wound up, 764——Particulars relative to the number of banking offices in proportion to the population, at different places and at different periods, 767.

Immense increase in the amount of deposits in Scotland since 1845; total of 78,405,261 *l.* in 1874; 768, 769——Amount represented by sums under 100 *l.* by sums between 100 *l.* and 200 *l.* and by sums above 200 *l.*, 770——Particulars relative to the amount of deposits in the Scotch banks in London, 771–775——Very large number of depositors in Scotland; inference as to the great extent to which the masses are interested in Scotch banking, 776–782——Reference to the deposits in savings banks in Scotland as arising chiefly from the large towns, 783.

Statement relative to the amount of notes in circulation in 1845, 1855, 1865, and 1874; increase of 2,817,377 *l.* since 1845; 784–788——Decrease since 1845 in the per-centage of 1 *l.* notes, 789, 790——Information as to the average daily circulation of notes and as to the mode in which the averages are taken; inclusion of all the notes not actually in the hands of the banks, 791–803——Practice as to the exchange of notes between different banks; rules agreed to for this purpose, 803–805.

Invariable excess of the authorised issue by a large amount; that is, including the notes lying idle in the tills of other banks, 806-809——Average of 4,107,627 *l.* as the amount of coin held by the banks in 1874, this being 952,311 *l.* in excess of the amount necessary under the Act of 1845; 809–815——Return handed in, showing the deposits, acceptances, and containing full statistics generally, 816, 817.

Payment of 24,269 *l.* for stamp duties in 1874; 818——Payment of 16,590 *l.* for licenses to issue notes, 818. 822——Explanation in connection with the license payment of 30 *l.* a year for every branch opened since 1845, the payment being 120 *l.* for those offices that existed previously to 1845; 819-828——Amount of gold received direct from and amount sent to England in each of the years 1870–74; demand for gold, chiefly in May and November, for payment of wages, &c., 829–833——Very few 5 *l.* Bank of England notes received from England, 834, 835.

Tabular statement delivered in, showing the paid-up capital, reserve funds, undivided profits, note circulation, &c., of the several Scotch banks, 836, 837——Examination to the effect that the average net profit in 1874 upon the paid-up capital was at the rate of 9 *l.* – *s.* 8 *d.* per cent., upon the capital and reserve; explanation of the mode of arriving at this result, 838–869.

[Second Examination.]—Grounds for the conclusion that the issue of 1 *l.* notes is of the utmost importance as regards not only the currency and the banking system of Scotland, but as regards the interests of the public at large, 952——Advantageous position of the eleven Scotch banks by reason of their privilege of issue; so that, keeping in view also the keen competition which prevails, there is practically no room for the successful introduction of English banks, 953–959——Absence of demand for new banks since the Act of 1845; 958.

Approximate character of an estimate of 6,300,000 *l.* as the amount of gold and silver coin and notes of other banks at a certain period, 1008–1012——Statement showing that, on 27th February last, the gold and silver coin held by the Bank of Scotland was about 390,000 *l.* (including 290,000 *l.* as against excess of issue), and the notes of other banks, 36,417 *l.*, whilst the liabilities were 12,880,000 *l.*; 1013–1031——Very small per-centage of coin to liabilities in the case of the Bank of Scotland, as compared with the Bank of England; large available resources, however, of the former in the shape of Government securities, cash with London bankers, and short loans in London, 1029–1055. 1164, 1165.

Grounds for the conclusion that the Bank of Scotland requires a much smaller proportionate reserve than a joint-stock bank in London, 1035–1048——Comparatively trifling amount of the issues of the Bank of Scotland as compared with its other liabilities, 1036——Much less liability to large and sudden withdrawals of deposits in Scotland than in London, 1037.

Small business as yet being done by the Bank of Scotland at its London branch, 1040–1043——Several reasons which have actuated the bank in establishing a branch in London, one being the growing tendency of Scotch commercial houses to open

Report, 1875—*continued.*

Davidson David. (Analysis of his Evidence)—*continued.*

accounts in London, 1044——Motive also in the employment of its deposits, it being very difficult to employ them all in Scotland, 1044–1048.

Facility of obtaining coin from London in the event of a run upon the bank in Scotland, 1048–1053——Policy of the bank to hold from a million to a million and a quarter in Consols, 1055——Additional value of the privilege of issue accordingly as the business of the country increases, 1056–1059.

Data for estimating at 3½ per cent. the profit upon the authorised issue of 2,750,000 *l.* less 1¼ per cent, for expenses upon the actual issue of about 6,000,000 *l.*, 1068–1071. 1075. 1076——Estimated net annual loss of 159,473 *l.*, if the right of issue were withdrawn, 1075——Difficulty in estimating the value of holding gold against the liabilities generally, instead of its being ear-marked or hypothecated to the excess of note circulation, 1080–1089.

Belief that no disadvantage would result to the Scotch banks if Bank of England notes were made a legal tender in Scotland, 1090–1092——Further information as to the keen competition for customers, though there is full accord as to rates, 1095–1097——Practice as to the managers of the banks meeting at Edinburgh when there are changes in the Bank of England rate, in order to regulate joint rates and charges, 1097–1100. 1197–1203——Way in which the system of joint and uniform rates conduces greatly to the advantage of the public as well as of the banks, 1101–1115——Great object of the banks to keep up the deposits, so that liberal rates are allowed, 1104. 1112–1115——Very moderate profits and dividends under the system of uniformity of rates, 1107–1111.

Special value of the right of issue in the case of banks having many branches, 1116–1122. 1126–1128——Comparatively small number of branches of the banks which have been absorbed into the existing banks since 1845; 1123, 1124——Exceptional instances of banks without branches in Glasgow, 1125——Average profits and expenses of certain English banks further adverted to, 1129–1131——Numerous branches in some Scotch towns, as in Brechin; facility thereby to depositors, though involving increased expense to the banks, 1133–1138.

Trifling circulation of sovereigns in Scotland, 1144——Very large amount of acceptances of the Scotch banks in London as compared with those of the Bank of England, 1145–1149——Total of about 4,100,000 *l.* as the amount held by the Scotch banks in gold and silver against their liabilities, including the note circulation, 1166–1169. 1185——Equal rates in the case of large and small customers, whilst no charge is made for keeping accounts, 1173–1175——Exceptional instances of advances to traders without security, 1176, 1177——Competition in accommodation and not in charges, 1178–1180.

Very little gold at the branch banks, though a considerable amount of silver is required, 1181–1184——Inclusion of silver as well as gold in the total of 4,000,000 *l.* held in coin; power of the banks to hold one-fourth of their coin in silver, 1185——Larger amount of gold required if notes were legally payable at all the branches; reduction of branches in such case, 1186–1191——Necessity of the banks holding a surplus of coin in order to work their system safely, 1189.

Belief as to there being agreement among the Scotch banks in London as to their charges, 1192——Independent action of the Clydesdale Bank in coming south of the Tweed, the other Scotch banks having regretted this step, 1193–1196——Small influx of gold to Scotland, save twice a year; considerable demand, however, for half sovereigns, 1204.

Practice of the banks not to make any charge to their customers for light weight, though they have to pay the Bank of England for light weight, 1205–1211——Very small loss of notes by fire or otherwise, 1212–1221——Average from five to eight years as the duration of notes, 1225——Very small amount of unclaimed deposits; mode of dealing with these, 1228. 1233, 1234——Simple interest allowed on deposits, the amount not being added by the bank to the deposit receipt, 1229–1232.

Estimate of 6,650,000 *l.* as the total capital required by the banks if the right of issue were entirely withdrawn; that is, including 2,750,000 *l.* for redeeming the present authorised issue, 1235–1239——Economy of currency in Scotland under the system of the banks in not making any charge for keeping accounts, and in allowing interest on the daily balances on deposit, 1241–1247——Average of 75 per cent. held by depositors out of the total amount in the banks, 1248.

Smaller proportionate reserve of coin of the Bank of Scotland than of other banks, the authorised issue of the former being larger than that of the latter, 1254——Practice of the Bank of Scotland to return its acceptances separately from its general loans, 1291.

[Third Examination.]—Explanation of the amount and character of the business of the Bank of Scotland in London, and of other Scotch banks, in the acceptance of foreign bills, 7288–7290——Admission that these acceptances have largely increased in the case of the Bank of Scotland, the utmost care being, however, taken before the credit of the bank is thus used, 7288–7299.

Report, 1875—*continued.*

DEPOSITS:

1. *England.*
2. *Scotland.*
3. *Ireland.*
4. *Aggregate of Deposits in Scotch Banks, and in London and Provincial Banks, respectively.*

1. *England:*

Probability of savings in England being more largely invested than Scotch savings in building societies and local improvement loans at higher rates of interest, *Gairdner* 1464–1469. 1549–1567–1569–1571.

Line of distinction drawn between the old issuing banks and the new joint stock banks, the former not being equally justified with their small capital in inviting deposits offering large rates of interest, *Seebohm* 4669–4693. 4710–4712——Practice of witness' bank to discourage very small deposits and to advise small depositors to put their money in a savings bank, *ib.* 4851–4854. 4886–4889.

Evidence in support of the view that the permanent investments of the working classes would be much better placed if put into Consols, instead of being deposited with banks, *Seebohm* 4886–4892——Examination to the effect that it is impolitic in banks to offer high rates of interest on deposits, thus preventing permanent investment otherwise, and that this class of business, unless cautiously conducted, is dangerous to the banks as well as to the public, *ib.* 4918–4947. 4954. 4959–4965.

Reference to the ratio between deposits and capital as largely affecting the question of profit, *Rae* 5146–5149——Inexpediency, as regards the public interests, of any extension of the credit system in the form of bank notes; that is, in view of the immense amount of bank deposits practically payable on demand, *ib.* 5169——Mischief caused eventually when money is too cheap and when there is an excess of loanable capital, *ib.* 5298–5301——Equal facilities to depositors in England as in Scotland; greater competition, however, in Scotland for deposits in so far as the banking offices are more numerous, *ib.* 5316–5319. 5352–5367. 5423–5425.

Grounds for the conclusion that short circulation has no influence whatever as regards the deposits of any bank; numerous instances of immense increase in the proportion of the latter to the circulation, *Palgrave* 5511–5516——Effect of note issues by any bank in leading to deposits, *ib.* 5516. 5610–5617——Great increase chiefly since 1860 in the deposits of the English country banks, *ib.* 5531.

Approval of higher rates on deposits when money is dear, *Dun* 6493, 6494——Advantage of the great extension of deposits, so long as the banks allow only such rates as will enable them to employ the money profitably and safely without doing speculative business, *Cooke* 6806–6809——Sufficient banking facilities in the provinces for the collection of deposits, *ib.* 6811–6812.

Tables showing for different classes of banks the proportion of notes in circulation to the deposits, in 1844, 1854, 1864, and 1874; also the proportion in the case of a bank in a manufacturing district, and of a bank in an agricultural district in each year since 1844, *App.* 534, 535.

Tables showing the proportion borne by circulation to deposits in the case of thirty-six issuing banks in England and Wales, in 1844 and in 1874, *App.* 548.

2. *Scotland:*

Immense increase in the amount of deposits in Scotland since 1845; total of 78,405,261 *l.* in 1874, *Davidson* 768, 769——Amount represented by sums under 100 *l.*, by sums between 100 *l.* and 200 *l.*, and by sums above 200 *l.*, *ib.* 770——Very large numbers of depositors in Scotland; influence as to the great extent to which the masses are interested in Scotch banking, *ib.* 776–782——Reference to the deposits in savings banks in Scotland as arising chiefly from the large towns, *ib.* 783.

Much less liability to large and sudden withdrawals of deposits in Scotland than in London, *Davidson* 1037——Great object of the banks to keep up the deposits, so that liberal rates are allowed, *ib.* 1104. 1112–1115——Very small amount of unclaimed deposits; mode of dealing with these, *ib.* 1228. 1233, 1234——Average of 75 per cent. held by depositors out of the total amount in the banks, *ib.* 1248.

Satisfactory profits in Scotland, owing mainly to the large amounts of deposits, *Gairdner* 1277, 1278——Great advantage to the people generally through the facilities of lodging deposits at the numerous branches throughout the country, *ib.* 1279–1284——Paper delivered in, and explanation thereon, as to the total amount represented by deposits under 100 *l.*, 200 *l.*, &c., *ib.* 1314——Explanation also in connection with a return showing the number of depositors classified in reference to amounts, *ib.* 1314–1317.

Very small amount of unclaimed deposits, *Gairdner* 1322, 1323. 1361——Relative increase of savings banks deposits and of banking deposits, *ib.* 1427–1432.

Further considerations as to the larger amount of deposits in Scotland than in England,

DEPOSITS—continued.

2. *Scotland*—continued.

in proportion to the population, this being a great merit of the Scotch banking system, *Gairdner* 1462–1469——Considerations as to the safety, or otherwise, of the system of using in discounts the bulk of the deposits; proportion of reserve to liabilities adverted to hereon, *ib.* 1572–1598——Relative advantage to the banks in Scotland of the small deposits, and of the large or mercantile deposits; effect as regards the margin of profits, *ib.* 1647–1649, 1652–1656——Greater value for the purpose of investments of steady deposits, than of lage deposits for short and uncertain periods, *Fleming* 1649–1651.

Possibility of the system of deposits being carried too far, as preventing investments in building societies and local improvements, *Wade* 2136–2140——Facility in the collection of deposits in Scotland by means of the 1 *l.* note circulation; advantageous position of the Scotch banks on this score, in competing with English banks, *Dun* 6179–6182——Testimony to the beneficial operation of the Scotch banking system, though it is questionable whether too high a rate of interest is not now given in order to induce deposits, *Bagehot* 8057–8060.

Arrangement between the Scotch banks as to the rates of interest on money lodged, *App.* 453.

Return of the number of deposit customers in the Scotch banks, classified according to the amounts at their credit, for 1874-75; distinction between deposits of different amounts, *App.* 467.

3. *Ireland:*

Immense increase of bank deposits in Ireland since 1864, owing to the great extension of branches concurrently with increased prosperity, *Belton* 2379–2383. 2392. 2477. 2478——Allowance of interest on deposits by the National Bank and the Provincial Bank since their establishment, *ib.* 2711, 2712——Uniform rates now allowed on deposits in Ireland, with reference to the Bank of England rate, *ib.* 2712.

Considerable increase since 1864 in the savings banks deposits in Ireland, *Mills* 2948, 2949—— Progressive increase of the Irish deposits of the National Bank for the last six years, the wealth of the country having increased, *ib.* 2959, 2960.

Total of 31,700,000 *l.* as the deposits and current cash balances in all Ireland in 1874, *Du Bedat* 3081, 3082. 3117——Deposits to the amount of 2,911,000 *l.* in the Post Office and other savings banks, *ib.* 3083——Decrease since 1864 in the amount of Government and India stock in Ireland on which the Bank of Ireland pays the dividends; causes of this decrease, *ib.* 3084–3086——Allowance of interest by all the banks on deposits; long period for which this has been done by certain banks, *ib.* 3106-3109.

4. *Aggregate of Deposits in Scotch Banks, and in London and Provincial Banks, respectively:*

Cash deposits to the amount of 96,000,000 *l.* in the case of the London banks of 78,000,000 *l.* in the case of 21 provincial banks, and of 77,000,000 *l.* in the case of the Scotch banks, *Gairdner* 912, 913——Adoption of Mr. Palgrave's estimate of 200,000,000 *l.* as the deposits in all the English provincial banks; belief, however, that this is much under the real amount, *ib.* 919.

Return showing the total public and bank deposits of the joint stock and private banks respectively, in London and in the country, distinguishing between England, Ireland, and Scotland; also the amount of capital and of reserve, *App.* 559.

See also *Bank of England*, II. 1. *Bank of Ireland*, 3. *Branch Banks. Hoarding. National Bank*, 6. *Profits. Public, The.*

Discount Bankers (*London*). Undue competition between discount bankers in London in the placing of loanable capital, *Cooke* 6604. 6697–6705.

Discount, Rate of. See *Bank of England* II. 2. *Rates and Charges.*

Du Bedat, Peter. (Analysis of his Evidence.)—Is secretary to the Bank of Ireland, 3018——The London business of the bank is conducted chiefly through the Bank of England as agents, 3019. 3241——In Dublin the bank has no special privileges nor any monopoly, 3020——The notes of the Bank are not a legal tender in Ireland; grounds for this statement, 3021–3026. 3171–3174.

Total authorised issue of 3,738,428 *l.*; large deficiency of circulation for several years owing chiefly to the increased use of cheques, the diminution of population, and the extended circulation of the National Bank, 3027–3049. 3153, 3154. 3179–3186. 3349–3353. 3404–3411. 3416–3419——Average circulation in each year since 1857; for the last five years the average has been about 3,000,000 *l.*; 3038, 3039——Immense decrease in the bank post bill circulation owing to the extended use of cheques, 3040–3042.

Increased issue of the Bank if the circumstances of the country required it, 3043–3045. 3139–3143——Great number of cheques received daily by the bank for collection throughout

Du Bedat, Peter. (Analysis of his Evidence)—*continued.*

throughout Ireland, 3047–3049. 3147, 3148——Practice since 1864 of allowing interest on deposits; large increase of branches since that year, 3053——Prospect of the circulation of the bank reaching the full authorised amount, when new branches are established; decided objection on this score to the withdrawal or transfer of any portion of the authorised issue, 3054. 3144–3146. 3175–3178. 3201–3209. 3278–3286. 3355–3363. 3378–3391.

Decreased circulation of the issuing banks in Ireland if the power of issue were given to the non-issuing banks, 3055–3057——Necessity of the Bank of Ireland keeping large and unprofitable reserves in London in order to meet its exchanges; particulars hereon, 3056–3060——Payment into the Bank of Ireland of all the Government taxes collected in Ireland, the surplus being remitted to the Bank of England; there is no remuneration for this business, 3061–3065. 3102, 3103——Payment received by the bank for management of the unredeemed public debt, 3066.

Exceptional instances in which the bank allows interest on current accounts, 3067. 3105——Regulation of the interest on deposits by the rate of the Bank of England; minimum of 2 per cent. for some years past, 3068, 3069. 3113–3115——Very limited circulation of gold in Ireland; import chiefly through cattle dealers from England, 3070–3073——Practice of the Bank of Ireland as to receiving gold, and as to charging for light weight, 3072. 3152——Exceptional import of gold by the bank; large import many years ago in order to assist the National Bank, 3073, 3074——Surplus sent annually to the Bank of England; considerable loss on account of carriage expenses and light weight, 3075–3079. 3166–3170.

Payment, in advance, of 7 *s.* per cent. as stamp duty on the outstanding circulation of the bank; this tax amounts to about 11,000 *l.* a year, 3080. 3092, 3093. 3292–3297——Total of 31,700,000 *l.* as the deposits and current cash balances in all Ireland in 1874; 3081, 3082. 3117——Deposits to the amount of 2,911,000 *l.* in the Post Office and other savings banks, 3083——Decrease since 1864 in the amount of Government and India stock in Ireland on which the Bank of Ireland pays the dividends; causes of this decrease, 3084–3086.

Great competition among the banks in Ireland; reduced scale of charges now in force, 3086–3091. 3104. 3273——Very few private banks, these being confined to Dublin, 3094, 3095——There are three banks of non-issue; doubt as to these increasing the circulation of the Bank of Ireland, 3096–3098. 3155–3165. 3210, 3211——Practice as to the collection of the cheques sent in by the non-issuing banks, 3099–3101——Charge sometimes made for the collection of cheques paid in by customers, 3104——Allowance of interest by all the banks on deposits; long period for which this has been done by certain banks, 3106–3109.

Larger circulation of 5 *l.* notes and over, than of notes under 5 *l.*; 3110–3112. 3155–3157——Circumstance of the Bank of Ireland not publishing its accounts, 3116. 3218, 3219——Explanation of the charges by fresh banks to their customers in Ireland for payments on their account in London, 3118–3122——Amount of gold held in Ireland in reference to the circulation, and the total liabilities of the banks; necessity of the Bank of Ireland holding an equally large amount, irrespectively of their being up to or under their authorised circulation, 3123–3133.

Advantage of the 1 *l.* note circulation to the people, whilst there is a large saving of interest in there not being a gold circulation, 3134, 3135. 3315–3317. 3412–3415——Authorised circulation of the Irish banks upon the basis of the average circulation of the three years previous to the arrangement, 3136–3138——Large reserves kept by the Bank of Ireland in London, 3149–3151——Steps being taken to extend the operations of the bank in Ireland, and to establish branches wherever there is a demand for them, 3175–3178. 3201–3209. 3355–3363. 3384–3391——Large increase in the circulation of other banks, whilst that of the Bank of Ireland has decreased, 3179–3186.

Evidence to the effect that the privileges of the bank as to issue are attended with an expense of about 1½ per cent. upon the circulation, 3187–3192. 3253–3265. 3298–3302. 3309–3314. 3367–3372——Difficulty in calculating the per-centage cost of management with reference to the amount of deposits, 3193–3200. 3304–3308——Value of the Government business to the bank, 3212, 3213. 3364–3366.

Explanation of the practice of the bank in lending some of their reserves in London to bill brokers, this being done directly from Dublin, 3214–3234. 3274–3277——Exceedingly satisfactory manner in which the London business of the bank is conducted by the Bank of England and another bank, there being no necessity for an independent establishment, 3235–3249——Much less hoarding in Ireland than in former years, this change tending to keep down the circulation, 3250–3252. 3404–3411——Statement as to the Irish banks not keeping a record or registry of the notes which pass through their hands, 3266–3271.

Inexpediency of increased powers of issue in the Irish banks in view of the limited amount of gold held, 3287–3290——The notes of the Bank of Ireland are payable at every branch, 3303——Disastrous effect of a withdrawal of the 1 *l.* notes, 3315–3317. 3396,

Report, 1875—*continued.*

Du Bedat, Peter. (Analysis of his Evidence)—*continued.*

3397. 3415——Further particulars relative to the partial employment of the London reserves of the bank in loans to bill brokers, instead of in discounts in Ireland; this money is at call, and is a reserve in the second line, 3318–3348. 3354. 3420–3429.

Expense to other banks as well as the Bank of Ireland in sending surplus gold to England, and in paying for light weight, 3372–3374. 3392–3395——Practice of the bank as to sending Bank of England notes to London, 3375–3377——Objection to any commission to the non-issuing banks for circulating the notes of the Bank of Ireland, 3378–3383.

Exceedingly rare instances of forgery of 1 *l.* notes in Ireland, 3398——Risk of loss on the other hand from light sovereigns, 3399——Great excess of circulation of the Scotch banks as compared with the Irish banks, 3400——Very trifling circulation of sovereigns in Ireland, there being practically no demand for gold as compared with notes, 3401–3403. 3412–3414.

Dun, John. (Analysis of his Evidence.)—Is general manager of Parr's Banking Company, 6171—This is not a bank of issue, 6172——The bank has eleven daily branches, and six sub-branches open for one or more days in the week, 6173.

Decided approval of the policy of Mr. Goschen's Bill, on the ground that it is unjust to English bankers to be placed in competition with Scotch bankers unless there be an assimilation of the principles upon which they are dealt with by law, 6174–6176—Very different manner in which banks in Scotland and banks in England have been treated by the Legislature, the privileges of English issuing banks being insignificant in comparison with the unlimited power of issue of the Scotch banks, including the issue of 1 *l.* notes, 6177.

More numerous banks in England than in Scotland, the competition being very keen, 6178. 6180——Facility in the collection of deposits in Scotland by means of the 1 *l.* note circulation; advantageous position of the Scotch banks on this score in competing with English banks, 6179–6182——Absence of analogy between Scotch insurance offices and Scotch banks as regards the question of competition in England, 6183——Decided monopoly of the Scotch banks at home, so that it is not fair that they should claim the advantages of free trade abroad, 6184, 6185, 6276, 6277.

Tendency of the monopoly of the Scotch banks to diminish competition, to the prejudice of the public, 6186, 6187——Former experience of witness for about fifteen years in the Bank of Scotland, which he left in 1865; result of this experience that the Scotch banks gave more advantages to their customers than they have given since the reduction in the number of banks and the increase of branches, 6188–6190. 6333–6336——Power of the English banks to greatly reduce their charges if they had the same privileges of issue as the Scotch banks, 6191–6193. 6200, 6201.

Investigation of Mr. Gairdner's estimate that 1,000,000 *l.* a year would be saved to the public in England under the Scotch system of charges; conclusion as to this calculation being utterly unreliable and fallacious, 6194–6201.

Considerable reduction in the capital of the Scotch banks since 1845, the deposits and other liabilities having immensely increased in proportion to paid-up capital and reserve, 6202. 6397–6399——Proportion of 15 per cent. to the total liabilities now represented by the paid-up capital and reserve; authority of Mr. Gilbart cited to the effect that the proportion should be not less than 20 per cent., 6202. 6400–6402.

Statement as to the Scotch banks generally having disapproved of the action of the Clydesdale Bank in coming south of the Tweed, 6203——Tendency to the circulation of Scotch notes in England by the introduction of Scotch banks, 6204——Grounds for the conclusion that the practice of Scotch banks in London of accepting against foreign credits should be carefully limited, 6205–6211. 6403–6407——Irksome system of the Scotch banks in levying numerous charges to customers across the counter; advantage of the English system of half yearly charge, 6212, 6213. 6443–6445.

Exclusive monopoly in Scotland of the eleven existing banks of issue; conclusion that no non-issuing bank could compete with them, 6214–6216. 6337–6361. 6365——Inequality and injustice by reason of the very different privileges of existing Scotch banks as regards their authorised issues; question hereon as to there being any similar inequality between English issuing banks, 6214. 6362–6375.

Evidence to the effect that the combination in the Bank of England of legal tender issue with the ordinary business of banking is a great mistake, and that there should be a separate State department of legal tender issue, 6217–6239——Mischievous operation as regards the bank reserve, on account of the bank being a trading company, actuated by the desire of paying good dividends, 6217, 6218. 6234–6239.

Conclusion as to the entire inadequacy of the bank reserve in view of the enormous banking liabilities of the United Kingdom, these being estimated by witness at 700,000,000 *l.*; 6219–6226. 6323—— Expediency of banks generally bearing the burden of the cash reserve necessary in reference to their own liabilities; suggestion hereon that the

Dun, John. (Analysis of his Evidence)—*continued.*

the banks should keep their cash reserves with the proposed State department of legal tender issue, 6227–6232. 6324.

Belief that Sir Robert Peel had in contemplation the abolition of private issues, and the establishment of a State bank of issue, 6240. 6263——Decided objection to a State issue, unless confined to legal tender issue, 6241——Nature of Sir Robert Peel's objections to private issues; grounds for concluding that his apprehensions were not well founded, 6242-6246——Several respects in which the country issues are much stronger than in 1844; reference hereon to a Table (*App.* 553) showing the large amount of lapsed issues, 6245–6253.

Total number of issuing and non-issuing banks in England, distinguishing between private and joint stock banks, 6254. 6255——Inadequate means of the public for judging as to the security for issues, 6256, 6257——Evidence in support of the conclusion that the power of issue should be given to all non-issuing banks, whose respectability and stability can be proved to Government; anomalous and disadvantageous position at present of these banks, 6258–6268. 6319–6332.

Opinion that 1 *l.* notes in England had not a sufficient trial, and were withdrawn through misapprehension; inexpediency, however, of any sudden re-introduction of them, 6269. 6282–6301——Improbability of any extensive forgery of 1 *l.* notes in England, 6270——Approval of increased facility in the amalgamation of joint stock banks of issue, provided power of issue be extended to all banks; objection otherwise, 6271–6273. 6382, 6383.

Serious loss to the public if all country issues were withdrawn, 6274, 6275——Readiness of non-issuing banks to establish new branches; increased extension if they had a power of issue, 6278, 6279——Impossibility of forcing local issues beyond the natural requirements of the public, 6280, 6281. 6425.

Prospect, by an extension of country issues, of the re-introduction of 1 *l.* notes in course of years, 6283–6289——Very little use of a State issue of 1 *l.* notes, 6291–6294——Improbability of the public in England readily taking 1 *l.* notes, though they are very generally taken in Scotland, 6295–6300.

Opinion that Scotch banks, with all their privileges, should be excluded from England, rather than that English banks should be raised to the same level, 6302–6307——Conclusion that the continued operation of the Scotch banks already in London is not in accordance with justice, 6308–6311.

Suggestions as to the limit to be applied, and the security to be required in the case of an extension of the right of issue to all banks, 6312–6320——Proposal in regard to existing issues being made a first charge upon the estate, 6319. 6530, 6531——Expediency of any excess of authorised issues in England being upon the basis of gold, 6319——Limited extent to which the proposed right of issue would displace gold from circulation, 6321–6324. 6453–6455.

Value attached to the right of issue chiefly as a means of extending banking business and of giving increased facilities to the public; illustration to this effect, 6325–6328——Belief that the note circulation has no effect whatever upon prices; effect of increased prices in enhancing the circulation, 6329–6331.

Statement by Sir Robert Peel in 1844 that he was giving the Scotch banks a monopoly of issue; the result has been a monopoly of banking, 6337, 6338——Examination to the effect that the success of some non-issuing banks in Ireland does not affect witness' argument that in Scotland the issue has conferred a monopoly, 6339-6361. 6535-6538——Complaints made from Glasgow and other places as to the monopoly which exists, 6357——Circumstance of some Glasgow bills having formerly been discounted at lower rates in London than by the Scotch banks, 6360. 6464.

Ample amount of gold held by witness' bank for ordinary requirements, 6376–6378——Necessity of all banks coming upon the Bank of England reserve in time of emergency, if they have balances enabling them to do so; entire insufficiency of the reserve in the event of this contingency, 6379, 6380. 6504——Liability to loss of central control in the case of Scotch banks with a very large number of branches, 6381——Advantage if there might be a slight excess of authorised issues by English banks, without a penalty being incurred, 6384–6388.

Respects in which the agreement among Scotch banks as to minimum rates operates disadvantageously to the public, or would probably do so but for the competition of the banks as to accommodation, 6389-6394——Authority of Mr. Somers cited as showing his deprecation of the monopoly of the existing banks, 6394——Very satisfactory dividends of the Scotch banks, 6395, 6396——Less object in small English country banks coming to London, than in the large Scotch banks doing so; facility of doing their London business without establishing branches, 6408–6411.

Admission that it would be a hardship to eject from London the Scotch banks already there; still greater hardship to the London banks by the continuance of the former, 6412–6420. 6539——Less hardship, if any, in excluding the Clydesdale Bank from the

Dun, John. (Analysis of his Evidence)—*continued.*

north of England, 6418——Improbability of any Scotch bank electing to give up its issue as a condition of coming to London, 6420——Disadvantage to the Scotch banks in having established too many branches; doubt as to the public being injured if some of them were closed, 6421-6429.

Apprehended impossibility of so assimilating the English system with the Scotch system of circulation as to remove the inequality in competition between the two banking systems, 6430——Several privileges of the Scotch banks over and above the English banks, even though enlarged powers of issue were given to the latter, 6431.

Calculation that the Scotch banks have the advantage of thirty or forty per cent. more notes than they pay stamp duty upon, on account of their circulation being based upon a weekly instead of a daily return, 6431. 6433——Inexpediency of any extension of privileges to issuing banks in England unless non-issuing banks be admitted to similar rights of issue, 6432. 6434, 6435——Grounds for the claims now put forward on the part of the non-issuing banks, though witness does not anticipate any speedy equalisation of privileges between all classes of banks, 6436–6439.

Dissent from the view that panics might be aggravated by making note issues a first charge upon the assets; illustration in the case of the Western Bank of Scotland, 6440–6442——Small charges in some cases and higher in others of the Scotch than the English banks, 6446, 6447——Explanation of the practice of witness' bank in charging commission, and in allowing interest upon the daily balances of current accounts, 6447–6452.

Further explanations in connection with the proposition in regard to the banks keeping their reserves with a State bank of issue; sundry objections considered, 6456–6468. 6501–6504——Excess of issue by the Bank of England on two occasions since the Act of 1844; 6465, 6466——Statement to the effect that witness considers the Scotch banks perfectly safe, 6467–6471——Payment in full of all the creditors of the Western Bank, though the shareholders were heavy losers, 6470. 6472.

Power, doubtless, of all banks in England before 1844 to become banks of issue, whilst those since established were aware at the time that they were not entitled to the privilege, 6473-6479——Due regard expressed by Sir Robert Peel in 1844 for existing rights, though he anticipated a gradual elimination of country issues, 6480-6483——Further consideration of the question of security in the event of a general extension of the right of issue; preference for the plan of making the notes a first charge upon the assets, 6484–6488. 6505–6516. 6530, 6531.

Doubt as to the gold circulating throughout the country having any effect upon the foreign exchanges, 6489——Increased strain upon the circulating medium in times of panic, 6490–6492——Approval of higher rates on deposits when money is dear, 6493, 6494——Expediency of each bank keeping a larger reserve, immediately available, than has hitherto been the practice, 6495, 6496——Considerable value attached to the publication of balance sheets by the joint stock banks, 6497.

Probable facility to non-issuing banks in Ireland by the use of Bank of Ireland notes, though not equal to the advantage of an independent issue, 6498-6500——Exceptions taken to a suggestion that gold might be lodged with a State Bank of Issue as security for private issues in England under an extended system; much less value of such issues than under the Scotch system of issuing against gold kept in the tills of the banks, 6505–6515.

Great difficulty in laying down any rule as to the proportion of capital which should be held in relation to deposits, 6517-6520——Suggested proportion of one-third in bullion and first class securities in relation to the liabilities to the public, 6520, 6521——Absence of any radical distinctions between the Scotch and English systems of banking, 6522–6524.

Proportion contemplated between the issue of English banks generally and their paid-up capital; explanation in connection with certain views expressed by Sir Robert Peel on this point in 1845; 6528, 6529. 6532–6534.

E.

English Creditors (Scotch Banks). Anticipated difficulty as regards proceedings by English creditors in the event of liquidation of a Scotch bank having a branch in London, *Wade* 1749–1751. 2014.

Excess of Authorised Issues:

1. *As to the Privilege of the Scotch Banks in over-issuing against Gold.*
2. *As to the Question of a similar Privilege in English Banks of Issue.*
3. *Statistics of Excess of Issues.*

1. *As to the Privilege of the Scotch Banks in over-issuing against Gold:*

Provision in the Act of 1845 as to the banks being allowed to exceed the authorised issue by the amount of gold and silver coin on an average of four weeks at the head offices,

Report, 1875—*continued.*

Excess of Authorised Issues—continued.

1. *As to the Privilege of the Scotch Banks in over-issuing against Gold*—continued.

offices, *Fleming* 32, 33——Excess of actual issue, but not of circulation, when the notes in the tills of the banks are taken into consideration; explanation hereon as to the large excess of issue in the case of the Great Western Bank of Scotland at the time of its failure, *ib.* 34–43——Examination as to the value of the privilege of excess of issue, and of keeping part of the issue in their tills, *ib.* 41–50.

Invariable excess of the authorised issue by a large amount, that is, including the notes lying idle in the tills of other banks, *Davidson* 806–809——Great advantage attached to the privilege of issuing in excess, provided coin be held at the head office equal to such excess, *Gairdner* 978–983——Difficulty in estimating the value of holding gold against the liabilities generally, instead of its being ear-marked or hypothecated to the excess of note circulation, *Davidson* 1080–1089.

Examination to the effect that the gold against which over-issues are allowed is not specially hypothecated to the notes, nor was so intended to be by the Act of 1845, *Gairdner* 1516–1531——Probability of the banks keeping just as much gold if there were no excess circulation, *ib.* 1530–1534——Grounds for the conclusion that the holding of gold against the excess of authorised issue does not contribute legally to the safety of the noteholder, and was not intended by Sir Robert Peel to do so, *Fleming* 1686, 1687.

Important advantage to the Scotch banks in the gold which they hold against their excess of authorised issue being held against all their liabilities, *Wade* 1730–1734. 1762–1767. 2046–2048——Increased facility of issue in Scotland by means of specie receipts of branch banks in London, *ib.* 1756, 1757. 1916. 1948, 1949——Great excess of circulation of the Scotch banks as compared with the Irish banks, *Du Bedat* 3400.

Evidence to the effect that the Clydesdale Bank would probably keep as much gold as at present, even if it did not exceed its authorised issue, *Readman* 3780–3791——Decided objection to a withdrawal of the privilege of over-issue against gold; hardship on the other hand in English banks of issue not having the same privilege, *ib.* 3793–3802. 3820. 3851–3855. 3861–3868.

Statement as to the gold required to be held against Scotch issues not being ear-marked, *Gordon* 3952–3954——Modification desirable in respect of the provisions against over-issue, *Hon. A. L. Melville* 5029——Practically unlimited powers of issue of the Scotch banks, *Cooke* 6599–6601. 6655–6658.

Difficulty in regard to gold held by the banks against over-issues being really secured to the noteholders in the event of failure, *Palmer* 7515–7519——In the foregoing case the gold would go to the general creditors unless it were ear-marked in some particular way, *Hodgson* 7519, 7520——Question as to the extent of advantage to the noteholder in Scotland by the requirement as to gold being held against over-issues, *Palmer and Hodgson* 7712–7715——Very little value of the so-called deposit of gold against over-issues in Scotland; fallacy through the gold not being hypothecated to the notes, *Hodgson* 7902–7910.

Comment upon the requirement in the Act of 1845 as to gold being held against over-issues by Scotch banks, without its being ear-marked or hypothecated, *Bagehot* 8074. 8127–8129. 8173.

2. *As to the Question of a similar Privilege in English Banks of Issue:*

Little, if any use, of a privilege of issuing against gold in those parts of England where the authorised issue is now found sufficient; diminution of local issues in some districts, *Seebohm* 4651–4653——Satisfaction of witness' firm with their present powers of issue, without a further power of issuing against gold; advantage, however, of the latter power to many banks in England, *ib.* 4788, 4789. 4837–4841——Pecuniary advantage to English banks if allowed to issue against gold, as in Scotland; disadvantage, however, as interfering with the Act of 1844, *Rae* 5171, 5172.

Inferior position of English banks of issue to Scotch banks, inasmuch as they cannot issue in excess against gold, *Palgrave* 5641–5645. 5667–5669. 5692–5694. 5727——Expediency of any excess of authorised issues in England being upon the basis of gold, *Dun* 6319——Advantage if there might be a slight excess of authorised issues by English banks, without a penalty being incurred, *ib.* 6384–6388.

Strong objection to such paper issues in England as in Scotland, whilst, if gold must be held against such issues, no benefit would result from them, *Cooke* 6813–6815——Difficulty in checking a system whereby all banks might issue against gold, *ib.* 6821–6824.

3. *Statistics of Excess of Issues:*

Return showing the authorised and actual circulation of the several Scotch banks, and the amount of coin held, during the four weeks ending 21st March 1874, *App.* 448.

Tables showing the authorised and actual issues of banks in England and Wales in each year since 1844, *App.* 486, 487.

Report, 1875—*continued.*

Excess of Authorised Issues—continued.

3. *Statistics of Excess of Issues*—continued.

Return showing for each year since 1844 the excess of the Scotch and Irish circulations over the limit fixed by the Act of 1845, *App.* 519.

See also *Scotch Banks.*

Exchangeability of Notes (*Local and Central Issues*). Evidence in detail as to the advantage of local notes to the public and to provincial trade on the score of their exchangeability, *Seebohm* 4578–4591——There are 167 local centres of issue, with between 800 and 900 offices where country notes can be exchanged as a matter of business, without counting sub-agencies, *ib.* 4580, 4581.

Reasons for the Bank of England note not being so readily exchangeable as local issues; obstacle on this score if there were a 1 *l.* note issue in England on account of the necessity of holding sufficient gold to secure convertibility, *Seebohm* 4587–4590. 4664–4701——Ready exchangeability of notes in Ireland and in Scotland, though this would not apply to a central issue in England, *ib.* 4804, 4805.

See also *Bank of England*, I. 5.

Exchanges of Notes. Practice as to the exchange of notes between different Scotch banks; rules agreed to for this purpose, *Davidson* 803–805——Limited extent to which it might be necessary to hold more gold if the exchanges of notes between the banks took place every day, *Gairdner* 984–990——Admission that the liabilities of a bank on its notes may be considerably in excess of the published average of the week: reference hereon to the large issue of the Western Bank of Scotland in the hands of the public and of other banks on the day of its stoppage, *ib.* 991–998.

Exchange of notes after business hours on Saturday in Edinburgh and Glasgow, *Gairdner* 1441, 1442——Small saving in stamp duty by exchanging after business hours in the large towns generally, *ib.* 1443.

Practice as to the exchange of notes in Irish provincial towns, *Belton* 2635–2639——Important effect of the exchange of notes in reducing the circulation in the hands of the public, *Readman* 3746–3753——Misleading effect of a return of the amount of notes received by each Scotch bank at each exchange in May 1875, *Fleming* 4055. 4063–4075.

Expediency of its being made clear what amount of circulation in Scotland is hidden under the system of weekly exchanges; undue privilege on this score, *Cooke* 6567. 6601——Further evidence as to the undue privilege of issue and as to the very large excess of issue thereby under the system of weekly exchanges, *ib.* 6659–6696. 6716–6731. 6770–6775——Necessity of the Scotch banks keeping much more gold if there were exchanges daily, *ib.* 6756. 6757.

Paper explanatory of the arrangements of the Scotch banks as to exchanges of notes, *App.* 453.

Daily note circulation of the several Scotch banks, before and after giving effect to daily exchanges, for the four weeks ending 24th April 1875: also the amounts of notes received at the exchanges, *App.* 456–461.

Extension of Issues. Deprecation of a great number of issuing banks in the same district; doubt as to the expediency of an extension of the privilege of issue to the present non-issuing banks, *Seebohm* 4619. 4622–4634. 4657. 4765——Advantage of an extention of issues in large towns, *ib.* 4873–4878. 4882, 4883——Improvement if there were no restriction upon amalgamation, and if the banks could issue against gold, *Palgrave* 5991–5995. 6164.

Evidence in favour of a large extension of local issues through means of the present non-issuing banks, *Dun* 6258–6268. 6312–6332. 6432–6439——Limited extent to which the proposed right of issue would displace gold from circulation, *ib.* 6321–6324. 6453–6455——Inexpediency of any extension of privileges to issuing banks in England unless non-issuing banks be admitted to similar rights of issue, *ib.* 6432. 6434, 6435.

Contemplated relaxation of the limitation upon legal tender issue on exceptional occasions of pressure, *Bagehot* 8207–8209.

See also *Assimilation of the Law.* *Non-issuing Banks.* *Public, The.*

F.

Failures of Banks. Impression that no private banks have failed in Scotland within the last fifty years, *Gairdner* 1360——Failure of many private banks of issue in Ireland in former times but not for many years past, *Belton* 2603–2607. 2702, 2703——Consideration of the relative amount of bank failures and of bankruptcies in England and in Scotland as bearing upon the efficiency of the banking system of each country, *Gordon* 4320–4332. 4538–4541.

Comparatively

Report, 1875—*continued.*

Failures of Banks—continued.

Comparatively few bank failures in England since 1844, banking being now much more soundly conducted in country district, *Seebohm* 4849, 4850——Explanation in connection with certain statements by Sir Robert Peel in 1844 relative to the numerous bankruptcies of English country private banks in previous years, and the large proportion which paid no dividend; difficulty in procuring reliable information on this subject, *Palgrave* 5840–5860——Belief as to the comparatively few failures of Scotch Banks, the creditors moreover having always been paid in full, *ib.* 5857–5864. 6121.

See also *Western Bank of Scotland.*

Fitzgerald, Thomas, and James H. Belton. (Analysis of their Evidence.)—(*Mr. Fitzgerald.*) Is Solicitor for the Hibernian Bank, in Dublin, 2330. (*Mr. Belton.*) Is General Manager of the Munster Bank, 2331.

(*Mr. Fitzgerald.*) Issue, exclusively, of Bank of Ireland notes by the Hibernian Bank, it not having any private issue, 2332. 2504——Prohibition by Act in 1781 of the establishment in Ireland of any joint stock bank of issue other than the Bank of Ireland; continuance of this prohibition till 1821; 2333——Relaxation of the foregoing prohibition in 1821, to the effect that joint stock banks of issue might establish themselves beyond fifty miles from Dublin; further relaxations in 1825 and 1830; 2333, 2334——Power under the Act of 1844 for any bank of issue to establish itself and issue notes in any part of Ireland, 2334.

Interpretation of the Act of 1826 as enabling Irish banks of issue to establish themselves anywhere in England more than sixty-five miles from London, 2335. 2574–2578. —— Opinion that under the Act of 1833 Irish banks in England might have agents in London for paying their notes; reference hereon to the operations in London of the National Bank and Provincial Bank of Ireland, 2335–2337. 2339–2344.

Absence of compensation to the Bank of Ireland in 1845 upon giving up its monopoly of issue within fifty miles of Dublin, 2345, 2346——Establishment of the Hibernian Bank in 1824; prohibition upon its issuing notes, 2347, 2348——Numerous branches of the bank, in competition with issuing banks, 2349, 2350. 2354, 2355—— Subscribed capital of 2,000,000 *l.*, the paid-up capital being 500,000 *l.*, and the liability being unlimited, 2351–2353.

(*Mr. Belton.*) Establishment of the Munster Bank in 1864, there having been a general feeling in the South of Ireland that more banking accommodation was required, 2356–2360——Numerous branches opened by the bank in the counties of Cork, Limerick, Tipperary, &c.; competition in this respect chiefly with the Bank of Ireland and National Bank who have greatly increased their branches since 1864; 2361 *et seq.*——Practice of the Munster Bank as to allowing interest on deposits, 2365–2367.

Great and increasing disadvantages under which the Munster Bank labours in its competition with issuing banks, 2368–2378——Large increase in the branches of the National Bank, 2377. 2633——Absence of increase since 1864 in the case of the Provincial Bank, 2377. 2633, 2634——Immense increase of bank deposits in Ireland since 1864, owing to the great extension of branches concurrently with increased prosperity, 2379–2383. 2392. 2477, 2478——Total of 1,000,000 *l.* as the subscribed capital of the Munster Bank, the paid-up capital being 350,000 *l.*, and the reserve 150,000 *l.*; 2387, 2388——Large proportion of small deposits, the total deposits on current accounts being 2,400,000 *l.*; 2389–2392. 2423–2425.

Amount of the authorised and actual issues of the Bank of Ireland, National Bank, and Provincial Bank; average deficiency of actual issue to the extent of about 800,000 *l.* in the former case, 2393–2402——Great advantage to non-issuing banks in Ireland if they might utilise the unused issue of the Bank of Ireland, 2404–2412——Doubt as to the Bank of England competing in England in the same way as the Bank of Ireland in Ireland, 2413, 2414. 2491–2495——Use of Bank of Ireland notes by the Munster Bank without receiving any commission. 2415–2418——Way in which the sub-offices of the bank are conducted, they being open only once a week, 2419–2422——Gradual progress of the bank since 1864; purchase of the business of three non-issuing banks, 2426–2428. 2482–2487.

Further statement as to the unequal competition of the Munster Bank with issuing banks, and as to the difficulty on this score in small towns, 2430–2435. 2445–2452. 2465. 2479–2481. 2497–2503. 2505–2510——Belief that gold is not sent periodically from England to Ireland in order to meet excess of authorised issue, 2436–2438. 2440——Preference of the people for 1 *l.* notes as compared with sovereigns, 2440——Use chiefly of 1 *l.*, 3 *l.*, and 5 *l.* notes; issue formerly of 30 *s.* notes, 2441–2444.

Room for a further extension of branches at the present time, 2446–2450. 2631–2633 Equal facility to the public whether a bank of issue or of non-issue is established, 2453–2455. 2496——Absence of special security for the authorised issues of the Irish banks; necessity of holding gold against excess of issues, 2456–2461——Average of from 300 *l.* to 500 *l.* a year as the expense of small branches, 2463, 2464——Allowance of interest

Report, 1875—*continued.*

Fitzgerald, Thomas, and James H. Belton. (Analysis of their Evidence)—*continued.*

on deposits by the Bank of Ireland since 1865; 2466. 2711——Higher rate allowed by the Munster Bank than by other banks, 2467. 2662-2666.

(*Mr. Fitzgerald.*) Extent to which a Bank of Ireland note is a legal tender in Ireland; this does not apply to Bank of England notes, 2468-2470.

(*Mr. Belton.*) Practice of witness' bank not to allow interest on current accounts (save charitable accounts), and not to charge for keeping such accounts, though some may be unprofitable, 2472-2474. 2516-2518. 2565-2567. 2713——Use chiefly of small notes in the payment of large amounts in wages, 2475——Information relative to the charges of the Munster and other Irish banks to their customers and the public, 2476. 2514, 2515. 2556-2561——Successful conduct of the business of the Munster Bank without an office in London, an agent being found sufficient and no inconvenience arising, 2488-2490. 2511. 2554. 2608-2616. 2624-2629. 2643-2648——Additional profit of witness' bank, rather than advantage to the public, if it possessed rights of issue, 2497-2503. 2622, 2623——Belief that no banks of issue have ceased since during the last twenty years, 2512, 2513.

Calculation that the Munster Bank helps to increase the circulation of the Bank of Ireland by more than 300,000 *l.*; 2515-2521——Very little, if any, preference of the public for the notes of the Bank of Ireland as compared with those of other banks, 2522-2524——Reasons for the issue of the bank being so much below the authorised amount, 2525-2530. 2598. 2617-2619. 2667-2676——Statement showing the issues of each bank in Ireland in 1864 and in 1874, the increase being considerable, and each bank, save the Bank of Ireland, issuing in excess, 2531-2535.

Increased quantity of gold to be held by witness' bank if it issued its own notes, 2536-2546. 2568-2573——Means of arriving at the money value of the right of issue, 2541-2543——Absorption of several independent banks in Ireland concurrently with a large extension of branches, 2547-2551——Belief as to the notes of all the issuing banks being payable at all the branches, 2552, 2553. 2640-2642. 2693——Statement as to the Bank of Ireland not having an office in London, witness not hearing that any complaint arises, 2555. 2699-2701. 2704-2708——Regulation of the rates of discount of the Irish banks according to the Bank of England rate, 2556, 2557.

Great importance attached to the maintenance of the 1 *l.* note circulation, 2562-2564——Further evidence as to the advantage of a re-distribution of issues in Ireland, and of allowing the banks of non-issue to share in the unused issue of the Bank of Ireland; additional facilities thereby to the public, 2579-2602. 2620, 2621——Increased extension of small branches if witness' bank had the right of issue, 2593-2602. 2671-2673. 2698——Slow action of the Bank of Ireland on opening branches in very small places, 2598-2601. 2667-2676——Failure of many private banks of issue in former times, but not for many years past, 2603-2607. 2702, 2703——Practice as to the exchange of notes in Irish provincial towns, 2635-2639.

Explanation that witness is strongly opposed to a withdrawal of issues of 1 *l.* notes in Ireland, but submits that all banks should have the same privileges, 2649-2657——Very little bullion required by the Munster Bank, it not being used for general circulation, 2658-2661——Belief that the circulation of the bank might be advantageously extended by the extension of branches, 2667-2976. 2684-2686——Progressive increase in the dividends of the bank 2677——Estimate of about 1½ per cent. on the amount of the deposits as the cost of conducting the business, 2678-2680——Practice of not taking deposits for fixed periods; they are all, practically, at call, 2681-2683—Less hoarding and increased enterprise by an extension of banking accommodation, 2686-2690——Great increase in the use of cheques, 2691, 2692——Considerable amounts invested in local undertakings, 2694-2697.

(*Mr. Fitzgerald.*) Total of 1,635,307 *l.* as the deposits of the Hibernian Bank, the cash reserves being 189,890 *l.*; 2709, 2710.

(*Mr. Belton.*) Allowance of interest on deposits by the National Bank and the Provincial Bank since their establishment, 2711, 2712——Uniform rates now allowed on deposits with reference to the Bank of England rate, 2712.

Fleming, James Simpson. (Analysis of his Evidence.)—Is Manager of the Royal Bank of Scotland, 1, 2——Has furnished Sir Henry Thring with a memorandum on the legal history of the Scotch banking system and on the constitution of the various existing banks, 3-5——On the 1st January 1845 there were twenty banks in Scotland, the number being now reduced to eleven, all of which are banks of issue, 6-9.

Common action of the Scotch banks as to the rate of discount, the rates allowed on deposits, &c.; they are, however, independent of each other, 10-13. 15. 25——Incorporation of six banks under the Companies Act of 1862, whilst the five senior banks are under charter, 14-16——Prohibition by the Act of 1844 upon the issue of notes in England, 17, 18——Small extent to which notes issued in Scotland are cashed in England; charge of 2 *d.* for cashing each 1 *l.* note, 19-27.

Great

Report, 1875—*continued.*

Fleming, James Simpson. (Analysis of his Evidence)—*continued.*

Great change in the course of commercial business in Scotland during the last thirty years, so that it has become of great importance to the banks to have branches in London instead of being represented by agents, 28–30——Power of an English bank of issue to establish branches in Scotland, but not to issue out of England, 31. 118–121——Provision in the Act of 1845 as to the banks being allowed to exceed the authorised issue by the amount of gold and silver coin, on an average of four weeks, at the head offices, 32, 33——Excess of actual issue but not of circulation when the notes in the tills of the banks are taken into consideration; explanation, however, as to the large excess of issue in the case of the Western Bank of Scotland at the time of its failure, 34–43.

Examination as to the value to the Scotch banks of the privilege of excess of issue, and of keeping part of the issue in their tills, 41–50——Absolute loss to the Royal Bank of Scotland in respect of its circulation, 42. 188——Equal privileges of the incorporated banks as of the chartered banks, 53, 54——Belief that the three senior chartered banks are banks of limited liability, 55.

Belief that previously to 1826 no joint stock bank nor any bank with six partners could have been established in England, 57——Conclusion that under the Act of 1826 any Scotch bank might have established itself in England, and might have issued notes beyond sixty-five miles from London, 57–62. 65——Express stipulation between Government and the Bank of England which led to the Declaratory Act of 1833; provisions of Section 3 whereby any bank, Scotch or otherwise, could come to London provided it did not issue any notes in England, 61–75. 78–83.

Annual publication of their accounts by all the Scotch banks, so that any statistics are readily obtainable, 76, 77——Argument that the Scotch banks, as not issuing notes in England, do not "borrow, owe, or take up" money in England, 78–81——Power of the Scotch banks between 1826 and 1828 to issue 1 *l.* notes in England as well as notes of 5 *l.* and upwards; prohibition by the Act of 1828 of issues under 5 *l.*, 84. 97.

Consideration of objections to the view that, under the Act of 1826, branch banks might be established in England beyond the sixty-five miles radius from London, whilst the head offices were in Scotland; admission as to the ambiguity of the Act on this point, 85–99. 132. 135——Reliance placed entirely upon the Act of 1833 as authorising Scotch and other banks to come to London, 97. 174——Exclusive privileges of the Bank of England under Acts in 1697, 1708, and subsequent years, the object of the Act of 1833 having been to remove doubts as to the extent of such privileges in the direction of removing their exclusiveness, 99, 100. 108. 157, 158. 161–163.

Policy of the Government in 1833 to prevent the introduction of joint stock banks into London, without interference with the right of issue of the Bank of England, 99–101——Exception taken to the view that the Act of 1833 conferred no privileges upon Scotch banks beyond those given by the Act of 1826; 102–111——Explanation that witness represents only the Royal Bank of Scotland, and does not speak for the Scotch banks generally, 111.

Legal conclusions of Sir Henry Thring adverted to; reference hereon to the express prohibition upon Scotch or Irish issues in England by the Act of 1844; 112–117——Similar footing of English and Scotch banks of issue as to the conduct of business in Scotland and England respectively, 118–121——Monopoly of Scotch banks as to issue, but not as to banking, under the Act of 1844; 122–125——Statement as to the Act of 1833 professing to be declaratory, but being in reality enacting as well as declaratory, 126–131. 157, 158——Restricted liability of banks coming under the privileges of the Act of 1826, such liability extending only to money owed or taken up in respect of notes payable on demand or of bills at six months, 134.

Further reference to the Act of 1828 as tending to show that previously there was a right in Scotch or Irish banks to issue and circulate their notes in England beyond sixty-five miles from London, 135. 137–140. 197–200——Extracts from letter from the Government to the Bank of England in January 1826, and reference to speeches of Sir Robert Peel and Lord Liverpool in introducing the Bill of that year, as tending to confirm the interpretation put upon the Act by witness, 136——Explanation as to the Royal Bank of Scotland having by their Act in 1874 voluntarily stipulated not to carry on business in England, save in London; this was done at the request of the English country bankers, 141–146. 192–195.

Privilege of the Scotch banks in their issues being based upon averages, whereas the Bank of England cannot issue a 5 *l.* note without having 5 *l.* in gold to cover it, 147, 148——Machinery provided by law for banks giving up their issues in England, but not for Scotch banks giving up issues, 147–156——Absolute freedom of issue in England until the Act of 1697; 157——Further statement as to the declaratory character of the Act of 1833, and as to the previous privileges of the Bank of England not having been absolute, 157, 158. 161–174.

Circumstance of the Royal Bank of Scotland being the only Scotch bank expressly excluded by its constitution from coming to London; origin of the bank adverted to hereon, 159, 160——Consideration of the passing of two separate Acts in 1826 relating

Report, 1875—*continued.*

Fleming, James Simpson. (Analysis of his Evidence)—*continued.*

respectively to Scotch and English banks, and their rights of suing and being sued, 162-176——Doubt as to separate legislation having often applied in the same Session to Scotch banks and to English banks, 175, 176——Statement, doubtless, by Sir Robert Peel in 1844 that separate legislation was in contemplation as regards Scotland, 175.

Explanation in connection with the clause in the Act of 1845 declaring that a Bank of England note is not a legal tender in Scotland, 177-180——Witness is not aware that the cashing or transfer of 1 *l.* notes in England involves liability to a penalty, 181, 182 ——Value further attached to the privileges of issue of the Scotch banks, though the banks would much prefer a smaller circulation, 184-188.

Reason for Scotch banks of issue being allowed to open branches in London, whilst English banks of issue are debarred the privilege; the former do not, like the latter, come into competition with the Bank of England, 190, 191——Doubt existing upon the question whether the gold in the Bank of England is held specially against the notes, 196——With regard to the Bank of Scotland it never had a charter and there was nothing in any of its Acts to prevent its coming to London, 201, 202.

[Second Examination.]—Further statement as to the Scotch banks having united action as regards every description of charge, 396——Explanation of witness' grounds for concluding that the enacting clause of the Act of 1826 bears out the interpretation which he has placed upon the Act, 396, 397.

[Third Examination.]—Explanation of the apparently large discrepancy between the circulation and authorised issue of the Western Bank of Scotland at certain dates, 1318 ——Similar terms of the Royal Bank of Scotland in London as of the London joint stock banks, 1334-1338——Means of the Royal Bank for increasing its business in London without enlarging its capital, 1339, 1340——Decidedly more liberal terms of the banks in Scotland than of the English banks, 1341-1343——Higher rate of expenses of the Scotch banks than of the London joint stock banks, 1344, 1345.

Belief that the bad debts of the Royal Bank and other Scotch banks will compare favourably with those of English banks; statistics in the case of the Royal Bank, 1344. 1391-1397——Statement that a higher charge for accommodation would not necessarily result in a higher rate for deposits, 1348—— Disadvantage to the English people through there being much less facility of deposit than in Scotland, 1349-1351——Great value to the Scotch public by reason of the numerous branches, 1351, 1352.

Improbability of the Scotch banks in London conducting their business on the Scotch system rather than on that of the London banks; similar rate allowed on deposits by both classes of banks, 1354, 1355. 1404, 1405——Groundlessness of the suggestion that noteholders in Scotland may be less secure through the opening of branches in London, 1355, 1356——Details relative to the charges of Scotch banks in comparison with those of English banks, 1384, 1385. 1390.

Objection to a warrant from the Bank of England certifying to gold being held for the Scotch banks, in lieu of the necessity of bringing gold from London, 1446——Advantage if the average were taken only yearly or half-yearly, so as to save frequent transmissions of gold to and from London, *ib.*—— Important advantage of the Acts of 1844 and 1845 in securing so large an amount of gold in Scotland as 4,000,000 *l.*, 1446-1449. 1636.

Conclusion as to the liability of the Bank of Scotland being limited, 1452-1454—— Explanation as to the Royal Bank of Scotland not having made any registration before commencing business in London, 1455-1461——Necessity for the bank coming to London, two other Scotch banks having already done so, 1478. 1690. 1702, 1703—— Mutual arrangement between the bank and several of its provincial correspondents or agents in England, as to the charge for collection of cheques, 1490. 1495——Higher rate of interest obtainable in England than in Scotland upon loans for harbours and local improvements, 1568——Limitation hitherto of the business of the Royal Bank in London to the transaction mainly of the London part of its Scotch business, 1622, 1623.

Very serious loss to the public in Scotland by a withdrawal of the authorised issues; gain on the other hand to the banks by doubling the issues, 1629-1636——Further suggestion with a view to obviating the necessity of large periodical transmissions of gold from London to Scotland and back again, 1636, 1637——Suggestion also that gold should be held by the Scotch banks in a defined proportion to the whole of their issues, the distinction being abolished between authorised issue and issue against gold, 1637, 1638.

Serious difficulty apprehended if it were left to the eleven Scotch banks to arrange between themselves for maintaining a certain proportion on the whole between their authorised issues and the amount of gold held, 1640, 1641——Greater value for the purpose of investments of steady deposits than of large deposits for short and uncertain periods, 1649-1651——Expediency of full opportunity being given to the Scotch banks to

Report, 1875—*continued.*

Fleming, James Simpson. (Analysis of his Evidence)—*continued.*

to consider their position, as affected by an alteration of the Acts of 1844 and 1845, and to make suggestions for their protection, 1673.

Explanation as regards the noteholders of the Western Bank at the time of its failure, that they suffered no practical inconvenience through the failure; considerable reduction in the amount in the hands of the public during the fortnight preceding the stoppage, 1674-1685——Grounds for the conclusion that the holding of gold against the excess of authorised issue does not contribute legally to the safety of the noteholder, and was not intended by Sir Robert Peel to do so, 1686, 1687.

Confidence of the people of Scotland in the banks through the absence of losses, 1688——Wrong principles of management which led to the failure of the Western Bank, 1689——Increased expense to the Royal Bank in having a branch in London, as compared with the previous agency arrangement, 1690——Main object of the bank in coming to London to preserve its Scotch business, 1690. 1713.

Explanation that no more money is likely to be brought from Scotland to London for investment in competition with English capital than under the former agency system, 1691-1699——Conclusion as to other Scotch banks in London as well as the Royal Bank adopting the English system of banking, 1700-1702——Regret of witness at the necessity of coming to London, that is, in view of the responsibility of a new and distant business, 1703-1707.

Non-apprehension on the part of the noteholders or depositors in Scotland upon the question of the banks undertaking a new description of business in London, 1707-1712——Decided approval of the movement by the Scotch mercantile community, 1712, 1713——Exemption hitherto of the Scotch banks from any discredit which may have arisen as regards London banks in times of panic in London, 1714-1716.

[Fourth Examination.]—Obstacles to a return showing the actual amount of the note issue of the Scotch banks, including those notes in the hands of other banks on each Friday in May 1875; 4055-4062. 4070-4072——Misleading effect of a return of the amount of notes received by each bank at each exchange in the same month, 4055. 4063-4065——Objection to a return of the working expenses of the Scotch banks, unless English joint stock banks be required to make a similar return, 4055. 4066-4069.

[Fifth Examination.]—Explanatory statement in connection with the recent remittance of a sum of 10,350 *l.* by witness' bank from Edinburgh to London, and the charge made; three different modes by which the full amount might have been received in London, 5001*, 5002. 5016-5025.

Numerous instances of the Royal Bank having been charged by provincial joint stock banks in England for making available in London the amounts of English cheques remitted to them, 5001.* 5025——Evidence as to the great loss of time in sending from Scotland cheques on English banks through the country clearing house; obligation felt, moreover, by the Scoth banks, of presenting cheques for direct payment as promptly as possible, 5003-5015. 5026-5028.

Fleming, J. S. Memorandum submitted by Mr. Eleming containing various details in connection with the Scotch banks, and their rights of issue, *App.* 445-448.

Foreign Bills. Estimate of about 60,000,000 *l.* as the amount of foreign bills floating in this country yearly; advantage of some means for increasing the amount, *Palgrave* 6156.——*See* also *Acceptances.*

Foreign Exchanges. Doubt as to the gold circulating throughout the country having any effect upon the foreign exchanges, *Dun* 6489.

Forgery of Notes. Several reasons which militate more strongly against forgeries of local issues than of a central issue, *Seebohm* 4592.

Particulars relative to the forgeries of 5 *l.* notes in different years; reference to tabular statement on the subject, *Palmer and Hodgson* 7571-7578.

Return showing the forgeries presented at the Bank of England in the case of notes of different denominations in each year since 1806, *App.* 550, 551.

See also *One Pound Notes,* I. 4.

Freshfield, Mr. Reference to a paper by Mr. Freshfield in 1858 stating that the provisions of the Act of 1844 are not for the benefit of the noteholders but for ascertaining the limit of issue, *Palgrave* 5542.

Report, 1875—*continued.*

G.

Gairdner, Charles. (Analysis of his Evidence.)—Is manager of the Union Bank of Scotland, 870——Total of 9,697,000 *l.* as the capital of the Scotch banks, the net profits in 1874 having averaged 8 *l.* 19 *s.* 6 *d.* per cent. after deducting 4 per cent. upon the capital and reserve, 871. 894——Reference to the "Economist" newspaper as supplying the foregoing information in the case both of English and Scotch banks; belief that the figures are correct, 872, 873.

Explanation of the principle upon which the deduction of 4 per cent. is made; practice of the Bank of England in this respect, 881–890——Probable dividend of about 15 per cent. represented by the total net profits including the 4 per cent. deduction, 883–898—— Margin of 1 *l.* 1 *s.* 11 *d.* per cent. as the net banking profit upon the amount of cash deposits of all the Scotch banks in 1873 and 1874; 898-907——Margin of 1 *l.* 6 *s.* 3 *d.* in 1873 and of 1 *l.* 1 *s.* 3 *d.* in 1874 in the case of the eleven London joint stock banks; that is, as the per-centage of net profit upon the deposits, 907——Much larger per-centage of capital and reserve profits to cash deposits in the case of the Scotch banks than of the London Joint Stock banks, 908——Estimate of about 1 *l.* per cent. upon the cash deposits as the expenses of the Scotch banks, 909–912——Per-centage of 11 *l.* 1 *s.* 10 *d.* as the net business profit borne to the capital of the London banks in 1874, the per-centage in the case of the Scotch banks being 8 *l.* 19 *s.* 6 *d.*, 912.

Reference to the balance sheets of twenty-one English provincial banks as showing an average per-centage of profit of 1 *l.* 13 *s.* 2 *d.* upon their cash deposits, 912——Cash deposits to the amount of 96,000,000 *l.* in the case of the London banks, of 78,000,000 *l.* in the case of twenty-one provincial banks, and of 77,000,000 *l.* in the case of the Scotch banks, 912, 913——Excess profit of 17 *s.* 5 *d.* per cent. of ten English provincial banks of issue beyond the per-centage of the Scotch banks; large total represented by this difference, 913——Allowance made for bad debts, as well as for all expenses, in arriving at the foregoing results; effect doubtless of the former upon the per-centage of profits, 914–916.

[Second Examination.] Belief that the Scotch banks have on the whole been very free from bad debts for many years, 917——Selection by witness (for the purposes of comparison) of the balance sheets of English provincial banks whose liabilities exceeded a million-and-half, 918——Fairness of witness' comparison, as judged by the amount of deposits in each case, *ib.*

Data for the Estimate of 1,125,000 *l.* as the amount represented by the excess margin of profit of all the English provincial banks, as compared with the Scotch banks, 919—— Adoption of Mr. Palgrave's estimate of 200,000,000 *l.* as the deposits in all the English provincial banks; belief, however, that this is much under the real amount, *ib.*

Statement of the numerous absorptions of small private and joint stock banks into the system of the Union Bank of Scotland, greatly to the benefit of the community at large as well as of the banking interests, 920——Explanation of the system of the Scotch banks in the matter of cash reserves for meeting engagements; conclusion as to the necessity of keeping large reserves in London, 921-927——Necessary withdrawal of coin from the London reserves in the event of a heavy run for coin in Scotland, 925, 926——Very little gold required in Scotland, save at particular seasons of the year, 926.

Agreement between all the Scotch banks as to a tariff of rates and charges, there being, nevertheless, a keen competition for business, 928–933—— Independent rates and terms of the Oriental Bank at its branches in Scotland; competition thereby with the other banks for deposits, 934–943——Explanation that witness is not prepared to state off-hand the degree of importance attached by the banks to the privilege of issuing 1 *l.* notes, 944–951.

Argument that the so-called monopoly of the Scotch banks arises less from the right of issue than from the low margin of profit, 960–965—— Individual opinion of witness that the withdrawal of the monopoly in the direction of admitting English banks with similar privileges, would not result in the actual introduction of the latter, the existing competition being very keen, and the whole country being thoroughly banked, 965–977 —— Reference to the magnitude of the business as accounting for the success of the banks, 968.

Great advantage attached to the privilege of issuing in excess, provided coin be held at the head office equal to such excess, 978–983——Limited extent to which it might be necessary to hold more gold if the exchanges of notes between the banks took place every day, 984–990——Admission that the liabilities of a bank on its notes may be considerably in excess of the published average of the week; reference hereon to the large issue of the Western Bank of Scotland in the hands of the public, and of other banks on the day of its stoppage, 991–998——Reference to a paper submitted by Mr. Davidson as showing liabilities to the public to the amount of about 90,000,000 *l.*, against which the gold and silver coin and notes of other banks amount to 6,300,000 *l.*, 999–1007.

Decrease of the direct profit upon authorised issues on account of the increasing excess of issues, the taxation applying to the whole issue, 1060–1063——Data for estimating at

Report, 1875—*continued.*

Gairdner, Charles. (Analysis of his Evidence)—*continued.*

at 3½ per cent., the profit upon the authorised issue of 2,750,000 *l.* less 1¼ per cent. for expenses upon the total issue of about 6,000,000 *l.*, 1063–1068. 1072–1075.

Reduction since 1870 in the average expenses of the London joint stock banks in reference to cash deposits; per-centage of 13 *s.* 2 *d.* in 1874; 1132——Belief that there is some mistake in a certain return purporting to show that the circulation of the Western Bank of Scotland at different periods was about three times the amount as returned to the "Gazette," 1142, 1143.

Explanation of the practice of the Scotch banks as to charging commission for cashing drafts and remitting money under different circumstances, 1150–1163——Illustrations of the very small loss of notes, 1222–1224. 1226, 1227——Non-distinction between deposit receipts and current accounts in the balance sheets of English banks, 1249—— Information on the subject of the return of circulation of each Scotch bank including the amount of notes in the hands of other banks, 1250, 1251. 1289–1291. 1298–1302—— Explanation in connection with the total coin in the hands of the Scotch banks, as part of the reserve in proportion to the liabilities, 1252, 1253. 1255–1257——Establishment of three non-issuing banks in Ireland, 1258–1262.

Reason for the Bank of England keeping a larger reserve than banks in Scotland, 1263, 1264——Limitation of branches in Scotland in places under 1,000 inhabitants, 1265—— Similar principle applied in calculating the average profit of Scotch banks as of English banks, 1266–1269——Regulation of the rate for discounts in Scotland by the Bank of England rate, a minimum being applied to all classes of customers, 1270–1276——Rate allowed in Scotland but not in England upon the daily balances of current accounts, 1272.

Satisfactory profits in Scotland, owing mainly to the large amounts of deposits, 1277, 1278——Great advantage to the people generally through the facilities of lodging deposits at the numerous branches throughout the country, 1279–1288——Obstacle to the maintenance of so many branches, if the 1 *l.* note circulation were withdrawn, 1285, 1286——Impression as to the Western Bank of Scotland having given higher rates for money than the other banks, 1292——Lengthened period for which deposits must be lodged with the Oriental Bank, and with colonial banks in Scotland, 1293, 1294.

Failure of some banks established in Scotland for the purpose of carrying on business there, and in London, the head quarters being in London, 1295, 1296——Total of about one-third of the liabilities of the larger Scotch banks represented by the Government securities, &c., in London, and the gold in Scotland, with the notes of other banks, 1297 ——Great confidence of the people of Scotland in the small notes, which are much preferred to sovereigns, 1303–1309——Exemption of note-holders from any loss for very many years past, 1308——Belief that the circulation is confined to Scotland, and does not extend to the North of England, 1310–1313.

[Third Examination.]—Paper delivered in, and explanation thereon, as to the total amount represented by deposits under 100 *l.*, 200 *l.*, &c., 1314——Explanation also in connection with a return showing the number of depositors classified in reference to amounts, 1314–1317——Statement in further explanation of the apparently large discrepancy between the circulation and authorised issue of the Western Bank of Scotland at certain dates, 1318——Illustration, in the case of the Western Bank, of the small amount of notes lost or not presented, 1319–1321——Amount of unclaimed deposits of the Western Bank, 1322, 1323.

Possibility of amalgamation being carried too far, as preventing competition, 1324–1327——Circumstance of the Scotch banks dispensing with a very large amount of profits, through doing business on more favourable terms to the public, than are given by English banks, 1328–1333. 1345–1348——Process of amalgamation in Scotland previously to the Acts of 1844 and 1845, rather than since those Acts, 1357–1359.

Impression that no private banks have failed within the last fifty years, 1360——Very small amount of unclaimed deposits further adverted to, 1361——Consideration of certain calculations purporting to show that the gross per-centage profit of the Scotch banks is higher than that of the London joint-stock banks; fairness of comparison rather with the provincial banks, 1362–1368——Doubt as to the branches costing on an average 500 *l.* each, though the expense of branches is doubtless an important element in reference to the question of profit, 1369, 1370.

Impression that the banks declare their profits before writing off to the building account, &c., 1371, 1372——Doubt as to banks having lost very large sums by advances to commercial firms, 1373–1376——Further details relative to the charges made by Scotch banks in comparison with those of English banks, 1377–1384. 1386–1390. 1398–1402——Usual practice of allowing 1 per cent., below the bank rate on deposits, 1402 ——Dependence, doubtless, of the Scotch banks upon their reserves in London, else they must maintain a larger home reserve in coin, 1410. 1419.

Decrease of capital since 1845, concurrently with a large increase of deposits, 1420, 1421——Non-establishment of any new banks since 1844; 1422——Facility to cheap

Report, 1875—*continued.*

Gairdner, Charles. (Analysis of his Evidence)—*continued.*

banking by the privilege as to over-issue, and as to keeping a reserve of unissued notes in the tills of the various branches, 1424-1426. 1433-1440——Relative increase of savings banks deposits, and of banking deposits, 1427-1432——Economy in the note circulation by the extension of banking facilities, 1433——Special importance attached to 1 *l.* notes, 1434-1436.

Exchange of notes after business hours on Saturday in Edinburgh and Glasgow, 1441, 1442——Small saving in stamp duty by exchanging after business hours in the large towns generally, 1443——The largest circulation is on Saturday, 1444——Different result shown as regards circulation by applying the same test in March, and in May or November, 1445——Considerable saving if, instead of being obliged to bring gold from the bank of England, it would suffice to have the warrant of the bank that the gold was held in London, 1446.

Further considerations as to the larger amount of deposits in Scotland than in England, in proportion to the population, this being a great merit of the Scotch banking system, 1462-1469——Probability, on the other hand, of savings in England being more largely invested in building societies and local improvement loans at higher rates of interest, 1464-1469. 1549-1567. 1569-1571——Question considered whether there is any greater necessity for the Scotch banks than for the largest English provincial banks to have independent establishments in London, 1470-1478.

Greater liberality of Scotch than English banks in the rates of allowance on current accounts; practice of the Union Bank of Scotland in this respect, 1479-1486——Belief as to the greater liberality also in the matter of commission for the collection of cheques, 1480, 1487-1494. 1509-1515——Importance of the question of expense as affecting the question of relative profits of Scotch and English banks; cost of the numerous branches in Scotland adverted to hereon, 1497-1503——Better position of the Scotch than the English banks for the extension of small branches, 1499. 1500. 1507, 1508——Different practice of Scotch and English banks as to making the account operative when lending on securities, 1504-1506.

Examination to the effect that the gold against which over-issues are allowed is not specially hypothecated to the notes, nor was so intended to be by the Act of 1845; 1516-1531——Probability of the banks keeping just as much gold if there were no excess circulation, 1530-1534——Doubt whether in addition to an estimated profit of 159,448 *l.* a year from certain privileges of issue, there is the further profit represented by the 4,000,000 *l.* excess of issue, for which, practically, no extra amount of gold is kept, 1535-1544.

Impossibility of meeting a demand by depositors and noteholders throughout the country to be paid in gold, 1545-1548——Considerations as to the safety or otherwise of the system of using in discounts the bulk of the deposits; proportion of reserves to liabilities adverted to hereon, 1572-1598.

Satisfaction of the Scotch banks with the legislation of 1845, and the restrictions then applied, though at the time a system of complete freedom was in favour, 1599-1606——Inference as to the advantage in England by applying the same principles of small note circulation as in Scotland, 1607——Question considered as to the effect upon the interests of other banks in Scotland by withdrawing the rights of issue of those which come to London; explanation hereon as to the Union Bank not being one of the latter, though it may find it advisable to come, 1608-1621.

Absence of public disadvantage by the withdrawal of the circulation of the Western Bank; necessity of more gold in the country in consequence, 1624-1627——Great loss to individual banks if their note circulation were withdrawn, such loss re-acting on the public, 1628, 1629——Obstacles to treating all the Scotch banks as one for purposes of issue, and for regulating the proportion between the authorised circulation and the gold held, 1639, 1640.

Further statement as to the adoption of the same principle in applying certain calculations as to the relative margin of profit of Scotch banks and of English provincial banks, 1642-1646——Relative advantage to the banks in Scotland of the small deposits, and of the large or mercantile profits; effect as regards the margin of profits, 1647-1649. 1652-1656——Examination as to the effect of the commission business upon the calculations of profit, and as to the amount of such business in the case of English and Scotch banks respectively, in relation to the amount of deposits, 1656-1671——Desire of the Scotch banks to make some suggestions on matters of detail if the legislation of 1845 be disturbed, 1672, 1673.

Glasgow. Exceptional instances of Scotch banks without branches in Glasgow, *Davidson* 1125——Opinion that Glasgow is very much over-banked, *Readman* 3807-3809.

Report, 1875—*continued.*

GOLD AND SILVER COIN:

1. *Gold in England and in the United Kingdom; proportion borne to the Note Circulation.*
2. *Gold and Silver Coin in Scotland, in proportion to the Note Issue.*
3. *Periodical Demand from Scotland for Gold from the Bank of England.*
4. *Question of Amendment as regards the practice of Gold Remittances to Scotland.*
5. *Question of regulating the Proportion of Gold held in Scotland, with reference to the Actual Issues of the Banks, collectively.*
6. *Gold held in Ireland, and practice as to Remittance to and from England.*
7. *Value of a Gold Circulation.*

1. *Gold in England and in the United Kingdom; proportion borne to the Note Circulation:*

Impression as to the gold circulation of England being estimated at 100,000,000 *l.*, the note circulation being about 31,000,000 *l.*; very small gold circulation in Scotland adverted to hereon, *Seebohm* 4771. 4823-4832——Unfairness in English banks bearing the burden of a large coin reserve, whilst the Scotch notes have the advantage of a large note circulation, *Rae* 5134-5138. 5155——Grounds for the estimate that whilst the note circulation of England has only increased from 29,000,000 *l.* to 31,000,000 *l.* since 1844, the gold circulation has increased from 30,000,000 *l.* or 35,000,000 *l.* to about 100,000,000 *l.*; *ib.* 5302-5313.

Explanation in connection with an estimate by Mr. Hendriks in which the gold in circulation in the United Kingdom in 1875 is computed at 100,000,000 *l.*; *Palgrave* 5480, 5481——Estimate by Mr. Hendriks of 225,000,000 *l.* as the gold circulation of France, Italy, Belgium, and other countries which have signified their adhesion to the monetary treaty of 1865, *ib.* 5480——Grounds upon which Mr. Hendriks deducts 60 per cent. from the total coinage in England and Australia since 1817 in order to arrive at the actual circulation of 100,000,000 *l.*; concurrence of witness in this calculation, *ib.* 5481-5484. 5486, 5487.

Statistics and details in further support of the estimate of 100,000,000 *l.* as the amount of gold coinage now circulating in Great Britain and Ireland, *Palgrave* 5915-5923——Local instances of the much larger increase of gold circulation than of note circulation, *ib.* 5928-5933. 5952——Calculation that the gold actually circulating in England is about 67,000,000 *l.*; *ib.* 5950-5952.

Total of about 90,000,000 *l.* in gold in actual circulation in the United Kingdom; difficulty in showing the effect of financial pressures as regards such circulation, *Palmer* 7664-7670——Explanations as to the data for the calculation that the total gold currency in the United Kingdom is 117,000,000 *l.* including that held by the Bank of England, *Palmer and Hodgson* 7770-7785.

Estimate, as made by Mr. F. Hendriks, of the total gold coinage of France, Italy, Belgium, &c.; net total of 225,000,000 *l.*; *App.* 547——Estimate of 151,762,000 *l.* as the amount to be deducted from the total gold coinage of 251,762,000 *l.* in England and Australia since 1817, leaving a circulation of 100,000,000 *l.* in 1875, *ib.*

2. *Gold and Silver Coin in Scotland, in proportion to the Note Issue:*

Average of 4,107,627 *l.* as the amount of coin held by the banks in 1874, this being 952,311 *l.* in excess of the amount necessary under the Act of 1845, *Davidson* 809-815 Very little gold required in Scotland save at particular seasons of the year, *Gairdner* 926——Reference to a Paper submitted by Mr. Davidson as showing liabilities to the public to the amount of about 90,000,000 *l.*, against which the gold and silver coin and notes of other banks amount to 6,300,000 *l.*; *ib.* 999-1007——Approximate character of an estimate of 6,300,000 *l.* as the amount of gold and silver coin and notes of other banks at a certain period, *Davidson* 1008-1012——Trifling circulation of sovereigns in Scotland, *ib.* 1144.

Total of about 4,100,000 *l.* as the amount held by the Scotch banks in gold and silver against their liabilities, including the note circulation, *Davidson* 1166-1169. 1185——Inclusion of silver as well as gold in the total of 4,000,000 *l.* held in coin; power of the banks to hold one-fourth of their coin in silver, *ib.* 1185——Larger amount of gold required if notes were legally payable at all the branches; reduction of branches in such case, *ib.* 1186-1191——Necessity of the banks holding a surplus of coin in order to work their system safely, *ib.* 1189.

Important advantage of the Acts of 1844 and 1845 in securing so large an amount of gold as 4,000,000 *l.* in the Scotch banks, *Fleming* 1446-1449. 1636——Before the Act of 1844 the amount held by the Scotch banks was only between 300,000 *l.* and 400,000 *l.*; *ib.* 1447. 1636——Impossibility of meeting a demand by depositors and note-holders throughout the country to be paid in gold, *Gairdner* 1545-1548.

Report, 1875—*continued.*

GOLD AND SILVER COIN—continued.

2. *Gold and Silver Coin in Scotland, &c.*—continued.

Probable necessity of the Scotch banks keeping as much gold, irrespectively of their note circulation, *Wade* 2035, 2036. 2097–2099. 2206——Very little gold kept at Scotch branches, *Readman* 3810——Security in England but not in Scotland by means of the large amount of gold as a reserve against the paper circulation, *Gordon* 4543-4545. 4558-4565——Difficulty in accounting for the very small gold circulation in Scotland as compared with England, *Rae* 5320-5323. 5451, 5452.

Statement as to the very small proportion of gold in Scotland as compared with England, *Palgrave* 5823–5832. 6114-6118——Larger amount of gold held in Scotland than is required merely to meet the excess of note circulation; other duty however discharged by the gold, *ib.* 5832–5836.

Inexpediency of any diminution of the amount of gold held by the Scotch banks, even if there were no over-issue of notes, *Palmer* 7521, 7522. 7655, 7656.

Return showing the authorised circulation, and the average circulation of each Scotch bank, and the amount of gold and silver held during the four weeks ending 21st March 1874, *App.* 448.

Return showing for each bank in Scotland the gold and silver coin and notes of other banks, as per last annual account, *App.* 455.

3. *Periodical Demand from Scotland for Gold from the Bank of England:*

Amount of gold received direct from, and amount sent to England in each of the years 1870–74; demand for gold chiefly in May and November for payment of wages, &c., *Davidson* 829–833——Facility of obtaining coin from London in the event of a run upon the banks in Scotland, *ib.* 1048-1053——Small influx of gold to Scotland, save twice a year; considerable demand however for half sovereigns, *ib.* 1204.

Authority of Mr. Weguelin cited as showing the periodical demand from Scotland and Ireland upon the Bank of England reserves, *Palgrave* 5534, 5535.

Imperceptible effect upon the money market by the half-yearly demand from Scotland for gold, the amount varying from 300,000 *l.* to 500,000 *l.*, *Palmer* 7482. 7632. 7636——Inconvenience in 1847 and 1857 by the sudden demand from Scotland for gold during the bank pressure in those years, *Hodgson* 7483-7485——Equal demands from Scotland for gold from the Bank of England, notwithstanding the establishment of Scotch banks in London, *Palmer* 7486–7488——Doubt as to any inconvenience having been caused in London by the demand for gold in Scotland in 1873, *Hodgson* 7633-7637.

Large extra amount of gold drawn from the Bank for Scotland during the pressures of 1847 and 1857, more especially in the latter year; comment hereon upon the system of the Scotch banks in keeping so little gold at home, *Hodgson* 7811-7815. 7911–7922. 7942–7963——The periodical demand for gold in Scotland does not affect the Bank rate, *ib.* 7858, 7859.

4. *Question of Amendment as regards the practice of Gold Remittances to Scotland:*

Considerable saving, if, instead of being obliged to bring gold from the Bank of England, it would suffice to have the warrant of the Bank that the gold was held in London, *Gairdner* 1446——Objection to a warrent from the Bank of England certifying to gold being held for the Scotch banks, in lieu of the necessity of bringing gold from London, *Fleming* 1446.

Suggestions with a view to obviating the necessity of large periodical transmissions of gold from London to Scotland and back again; amendment proposed as regards the system of averages, *Fleming* 1446. 1636, 1637——Inconvenience in having to bring gold from London, the boxes being sometimes returned unopened, *Readman* 3792——Convenience if Bank of England notes might be partly held instead of gold, *ib.*

5. *Question of regulating the Proportion of Gold held in Scotland, with reference to the Aggregate Issues of the Banks, collectively:*

Suggestion that gold should be held by the Scotch banks in a defined proportion to the whole of their issues, the distinction being abolished between authorised issue and issue against gold, *Fleming* 1637, 1638——Obstacles to treating all the Scotch banks as one for purposes of issue, and for regulating the proportion between the authorised circulation and the gold held, *Gairdner* 1639, 1640——Serious difficulty apprehended if it were left to the eleven Scotch banks to arrange between themselves for maintaining a certain proportion on the whole between their authorised issues and the amount of gold held, *Fleming* 1640, 1641.

Report, 1875—*continued.*

GOLD AND SILVER COIN—continued.

6. *Gold held in Ireland, and practice as to Remittance to and from England:*

Belief that gold is not sent periodically from England to Ireland in order to meet excess of authorised issue, *Belton* 2436-2438. 2440——Increased quantity of gold to be held by the Munster Bank if it issued its own notes, *ib.* 2536-2546. 2568-2573——Much less gold held by the National Bank if it were not necessary to hold against notes, *Mills* 2796——Large surplus receipts of gold sent by the National Bank yearly to London, there being very little public demand for it in Ireland, *ib.* 3016, 3017.

Very limited circulation of gold in Ireland; import chiefly through cattle dealers from England, *Du Bedat* 3070-3074—— Exceptional import of gold by the Bank of Ireland; large import many years ago in order to assist the National Bank, *ib.* 3073, 3074—— Surplus sent annually to the Bank of England; considerable loss on account of carriage expenses and light weight, *ib.* 3075-3079. 3166-3170.

Amount of gold held in Ireland in reference to the circulation and the total liabilities of the banks; necessity of the Bank of Ireland holding an equally large amount, irrespectively of their being up to or under their authorised circulation, *Du Bedat* 3123-3133 ——Expense to other banks, as well as the Bank of Ireland, in sending surplus gold to England, and in paying for light weight, *ib.* 3372-3374. 3392-3395——Very trifling circulation of sovereigns in Ireland, there being practically no demand for gold, as compared with notes, *ib.* 3401-3403. 3412-3414.

Convenience if the issuing banks in Ulster could keep Bank of England notes instead of gold against their issues; heavy cost at present on this score, *Bristow* 3478-3482. 3489. 3491-3494. 3533-3539.

7. *Value of a Gold Circulation:*

Importance of a gold circulation in mitigating the effects of a bad harvest, and in meeting a foreign drain, *Smith* 6899. 6909-6922. 7014-7017 —— Valuable advantage of a gold circulation in comparison with a small note circulation, though in Scotland 1 *l.* notes should not now be abolished, *Palmer* 7523-7527. 7587——Concurrence in the view as to the value of a gold circulation with reference to bad harvests and foreign drains, *Palmer and Hodgson* 7801-7804 ——Economy of circulation when the rate of discount is high; decided value of a gold circulation at such times, *Palmer and Hodgson* 7923-7930.

See also *Bank of England*, I. 2. II. 2. *Excess of Authorised Issues. Exchanges of Notes. Half Sovereigns. Light Gold. National Bank*, 3. *Note Circulation*, 10. *One Pound Notes. Panic. Payment of Wages. Reserves. Security for Issues.*

Gordon, William Bonnallie. (Analysis of his Evidence.)—Is manager of the Cumberland Union Bank, 3901——Head office of the bank at Carlisle, it having fifteen branches in the county and two out of it, 3902-3904——Similar system of banking of the Cumberland banks and of the Scotch banks; practice in the former case as to allowing interest on current accounts and on deposits, whilst the system of cash credits is precisely the same as that of the Scotch banks, 3906-3920. 4037——Circumstances under which a charge of 3*s.* 6*d.* per cent. is sometimes made for 1 *l.* notes received at the Cumberland Union Bank, 3917-3920.

Statement of the number of accounts of the five joint stock banks in Cumberland, classified according to different amounts or balances; total of 3,919,931 *l.*, including deposit receipts and balances on current accounts, 3921, 3922——Amount of the capital and reserve of each bank; aggregate capital of 823,000 *l.*; 3923——Authorised circulation of 145,574 *l.*, the actual circulation being much under this amount, 3924-3928—— Desire of the banks to have the privilege of issue against gold; willingness on their part to give security for their issues, 3929-3932.

Increasing number of Scotch notes received at the Cumberland Union and other Cumberland banks, and sent to Scotland; conclusion that the circulation of 1 *l.* notes, and other Scotch notes, will further increase, owing to the branches of the Clydesdale Bank in the county, 3933-3947. 4025, 4026. 4038—— Objection to an enlarged issue of 1 *l.* notes in England, though a convenience to the banks; effect thereof in intensifying panics, 3948-3951. 3992-3998. 4054——Statement as to the gold required to be held against Scotch issues not being ear-marked, 3952-3954.

Belief as to the entire sufficiency of the present banking accommodation in Cumberland, 3955, 3956—— Great advantage of Scotch over English banks in the opening of branches, more especially in their privilege of over-issue supplying them with till money, 3957-3963. 3979-3981. 4015-4021. 4040-4043——Evidence to the effect that, in their charges to customers and the public, the Cumberland banks offer as good terms and facilities as the Scotch banks in the county; reference more especially to the discount of bills upon Glasgow, the collection of cheques on Glasgow, &c., 3964-3978. 4039. 4050-4053——Advantage of Scotch banks in Cumberland, in that they are enabled to employ capital raised in Scotland more cheaply than the Cumberland banks can raise capital, 3981-3985. 3999-4008.

Report, 1875—*continued.*

Gordon, William Bonnallie. (Analysis of his Evidence)—*continued.*

Expediency of the same facilities of issue being given to English as to Scotch banks, rather than of the privileges of the latter being withdrawn; apprehension, however, as to the effect of an issue of 1 *l.* notes in England, 3986-3998. 4054——Profit derived by the Scotch banks from the circulation, such circulation increasing as the banks come more into England, 3999-4003. 4044-4049——Unfair advantage of Scotch banks as competitors, if they received an indemnity in lieu of their privileges of issue, 4005-4008——Obstacles to any successful competition of Cumberland banks in Scotland, as they would be obliged to use the notes of the existing banks, 4014-4021——Preference in Cumberland for local notes, 4022-4024.

Process by which the Scotch villages have been drained of hoarded notes by the extension of branches, these notes, when exchanged, supplying the banks with increased resources, 4027-4033——Practice of witness' bank to exchange Scotch notes for its customers, before the Clydesdale Bank came into the county, 4034-4036——Facility in passing English cheques through the country clearing in London, this not applying in the case of Scotch cheques, 4050-4053.

[Second Examination,]—Further information relative to the increasing amount of Scotch notes passing through the Cumberland Union Bank since the Clydesdale Bank has opened in Carlisle, 4073-4077. 4369-4377——Statement in further explanation of the charges made for cashing Scotch notes under different circumstances; absence of charge for receiving such notes where accounts have debtor balances, 4078-4092. 4393, 4394. 4477-4483——Difficulty in ascertaining how many Cumberland notes go into Scotland, 4093, 4094——Opinion that the increased circulation of 1 *l.* notes in the county does not prove that the public prefer them, or find them a convenience, 4095-4100.

Objection to an issue of 1 *l.* notes in England on the score of liability to forgery, 4101-4106——Examination upon the question of there having been any run upon Scotch banks for payment of 1 *l.* notes during former panics, 4107-4125——Rush for payment of the 1 *l.* notes of the City of Glasgow Bank, in 1857, so that the bank closed for a time, though it re-opened and paid everyone in full, 4126-4139——Conclusion further expressed as to the profit derivable from increased issues of 1 *l.* notes, notwithstanding the obligation as to holding gold, 4140-4146——Benefit to bankers in England, to the prejudice of the general public, if they had an unlimited issue of 1 *l.* notes against gold, 4147-4154.

Association of bankers in Cumberland and Westmoreland some years ago; this does not now exist, but there is a general understanding as to the rate of interest on deposits, reference being had to the Bank of England rate, 4155-4171. 4192, 4193——Extent to which the rates of witness' bank have been modified in view of the competition of the Clydesdale Bank; similar rate at all the branches, save at Hexham, 4171-4184. 4463-4467——Varying rate of interest allowed upon current accounts, according to the character of each account, 4185-4191.

Question further considered as to the relative charges of witness' bank, and of Scotch banks, for the collection of cheques; absence of charge by the former for any cheques through the country clearing, 4194-4209. 4387-4399. 4452, 4453. 4549-4553——Practice as to charging commission or interest where current accounts have debtor balances, this commission covering all charges, 4199, 4200. 4378-4399——Varying rate of discount charged in discounting local paper, whilst the Scotch banks profess to adhere to a uniform rate, 4210-4223. 4491-4494——Explanation as to witness' bank sometimes discounting for other banks; reduced terms in such cases, 4224-4227. 4468-4470.

Net profit of nearly 15 per cent. made by the Cumberland Union Bank, in 1874, after deducting 4 per cent. upon capital and upon reserve, 4228-4236——Absence of injury hitherto from the competition of the Clydesdale Bank, though witness is very apprehensive as to the future, 4237-4251——Statement as to the manager of the Carlisle branch of the Clydesdale Bank having said that the bank had come to England to do business on the English system, 4252-4260. 4401.

Large increase in the capital of the Cumberland Union Bank since it commenced business in 1829; circumstance of only 12 *l.* 10 *s.* having been called up on each 20 *l.* share, 4261-4266——Explanation as to the circulation of the bank being sometimes in excess of the authorised amount, due care being, however, taken to bring it within the proper limit during the last week of the month, 4270-4286.

Conclusion that though Bank of England notes are legal tender in Cumberland, and Scotch notes are not, the latter will greatly increase in circulation if Scotch banks establish themselves in the county, 4287-4294——Considerable amount of 1 *l.* notes and upwards already taken by the Clydesdale Bank in Cumberland, 4294-4296——Extended banking accommodation throughout Cumberland as well as in Scotland, it being a question whether it is politic to drain the country so thoroughly of money, as is done by the Scotch banks, 4297-4311.

Probable injury to the people of Scotland if the banks were restricted from issuing, and were indemnified for the loss, 4312-4314——Argument in further support of the conclusion

Report, 1875—*continued.*

Gordon, William Bonnallie. (Analysis of his Evidence)—*continued.*

conclusion that though 1 *l.* notes are a safe issue under the Scotch system, the sudden introduction of a similar issue into England would probably have disastrous results, 4315–4319. 4420–4426——Consideration of the relative amount of bank failures, and of bankruptcies, in England and in Scotland, as bearing upon the efficiency of the banking system of each country, 4320–4332. 4538–4541.

Special arrangement in each case as to the interest charged by witness' bank when accounts are overdrawn; general charge of 5 per cent., 4333–4346. 4474–4476. 4486 ——Preference of the people of Cumberland for sovereigns, as compared with 1 *l.* notes, 4347–4349——Complaint frequently made in the county as to the unfairness of the competition of the Clydesdale Bank, 4350–4355——Main ground of witness' complaint that the Scotch banks have special privileges which facilitate their raising deposits or capital on easy terms in Scotland, and which they bring into England in competition with banks not having similar privileges, 4356–4363. 4400–4409. 4434–4441. 4484, 4485. 4558–4565.

Grounds for the conclusion that Sir Robert Peel distinctly contemplated the Scotch banks being confined to Scotland, 4357–4358. 4542——Inequalities between different banks in England in 1844, this not having been dealt with by Sir Robert Peel, 4364–4366——Extensive competition on the part of non-issuing banks in England, this not being feasible in Scotland, 4367, 4368——Free circulation of the notes of witness' bank in Cumberland; advantage if there were power in the bank to issue against gold or against securities, 4410–4419. 4427, 4428. 4444–4448——Instance of the preference of the people of Cumberland for local notes, as compared with Bank of England notes; practice of witness' bank as to stamping the latter, 4423–4426. 4429, 4430.

Facility in the transaction of the London business of the Cumberland banks by means of agents; undue expense of independent branches in London, 4431–4433——Legal prohibition upon the Cumberland banks coming to London, 4442, 4443——Advantage of the Scotch banks in their issue being taken on a weekly, instead of a daily, average, 4449–4451——Large amount of gold and Bank of England notes held by witness' bank in proportion to its circulation, 4454, 4455. 4508.

Statement showing the very full banking facilities already provided in Cumberland, 4454–4462——Varying profits of banks though the amount of business done may not vary, 4471, 4472——Great advantage of local direction and knowledge in the conduct of banks; disadvantages of large institutions whose head quarters are far removed from the branches, 4473. 4567, 4568——Fallacious character of any return of the profits of banks as based upon the deposits, after expenses are charged, 4495–4501——Circumstance of the deposits of the Cumberland banks being practically at call, though nominally some days' notice is stipulated for, 4502–4507——Large reserves of witness' bank in proportion to its deposits, &c., 4508–4511.

Illustration of the value of the privileges of issue of Scotch banks, in competition with English banks, 4512–4514——Calculation as to the minimum charge of conducting a branch in Cumberland, some local person being employed as agent, 4517–4531——Practice as to the payment of licenses for branches at which notes may not be issued at all, 4522–4528——Circumstances under which Scotch notes are sometimes given by witness' bank to customers going to Scotland, 4532–4534——Daily exchange of notes between banks in Cumberland, 4536, 4537.

Security in England, but not in Scotland, by means of the large amount of gold as a reserve against the paper circulation, 4543–4545. 4558–4565——Numerous banks in England, as compared with Scotland, the competition being far greater in England, 4546–4548——Monopoly of the Scotch banks adverted to as enabling them to conduct business more cheaply, 4549–4556——Belief that in the long run the monopoly in question must be injurious to the public interest, 4557——Public advantages, doubtless, of a 1 *l.* note circulation, though these are outweighed by the advantages of a gold circulation, 4560–5563——Possible improvement in the position of English banks of issue, if allowed to amalgamate without forfeiting their circulation, 4566, 4567.

Great Yarmouth Bank. See *Gurneys & Co.*

Gurneys & Co. The authorised issue of Messrs. Gurney & Co. is 261,109 *l.*, distributed between Norwich, Lynn, Wisbech, and Yarmouth, *Palgrave* 5473——Reluctance of witness to specify in detail the charges made by his bank, *ib.* 5767, 5768——Four distinct partnerships in Messrs. Gurney & Co.'s firm, each bank or partnership issuing separately, and making up separate accounts, which the head office combines, *ib.* 5788–5799. 6095–6099 ——Impression that there are six partners in each of the four banks, *ib.* 5800–5802.

General information as to the terms upon which the business of the firm is conducted; belief that the charges and allowances to customers are more favourable than in the case of the Scotch banks, *Palgrave* 5803–5805——Only first-rate bills are discounted, and the same rate is charged to all customers, *ib.* 5895–5900——Numerous branches of the firm, notes being issued at all of them, *ib.* 5986–5989——The arrangement as to four

Report, 1875—*continued.*

Gurneys & Co.—continued.

separate partnerships and issues has existed since 1780, *Palgrave* 6095–6099——Official publication annually of the names of the partners, *ib.* 6168.

Returns of the daily circulation of the Great Yarmouth Bank for the months of December and January in 1873, 1874, and 1875; *App.* 536–538.

H.

Half Sovereigns. Great demand for half sovereigns in the payment of wages in Lancashire; less facility in obtaining them than sovereigns from the Bank of England, *Cooke* 6816, 6817.

Hibernian Bank. Issue, exclusively, of Bank of Ireland notes by the Hibernian Bank, it not having any private issue, *Fitzgerald* 2332. 2504 —— Establishment of the Hibernian Bank in 1824; prohibition upon its issuing notes, *ib.* 2347, 2348 ——Numerous branches of the bank, in competition with issuing banks, *ib.* 2349, 2350. 2354, 2355.

Subscribed capital of 2,000,000*l.*, the paid up capital being 500,000*l.*, and the liability being unlimited, *Fitzgerald* 2351–2353——Total of 1,635,307*l.* as the deposits of the bank, the cash reserves being 189,890*l.*; *ib.* 2709, 2710.

Circumstance of the Hibernian Bank, which does not issue, having recently opened five branches in Ulster, *Bristow* 3462, 3463. 3495–3497.

Hoarding. Less hoarding and increased enterprise by an extension of banking accommodation, *Belton* 2686–2690——Much less hoarding in Ireland than in former years, this change tending to keep down the circulation, *Du Bedat* 3250–3252. 3404-3411-—— Process by which the Scotch villages have been drained of hoarded notes by the extension of branches, these notes, when exchanged, supplying the banks with increased resources, *Gordon* 4027–4033.——*See* also *Deposits.*

Hodgson, Kirkman Daniel (*Member of the House*), *and Edward Howley Palmer.* (Analysis of their Evidence.)—(*Mr. Palmer.*) Is deputy governor of the Bank, and has been deputed, with Mr. Kirkman Hodgson, (the governor being unwell), to give evidence on behalf of the directors, 7428, 7429.

Diminution from 8,648,853*l.* in 1844 to 6,624,163*l.* in 1874 in the authorised issue of provincial banks in England and Wales, 7430——Increase from 14,000,000*l.* to 15,000,000*l.* since 1844 in the authorised issue of the Bank of England in order to replace lapsed or surrendered provincial issues, 7431, 7432——Increase of the Bank of England provincial circulation beyond the decrease of the private and joint stock bank circulation, 7432. 7439-7441. 7471——Explanation as to the gradual discontinuance of surrenders, the last composition having been in 1866; 7433-7435.

Inexpediency of varying the terms of commutation, 7436–7438——Entire adequacy of the Bank of England to supply the vacuum created if the whole of the provincial issues were withdrawn, 7439–7442——Contemplated issue of small notes by the Bank from centres at Dublin and Edinburgh if the Irish and Scotch issues were abolished, 7443–7445.

Abolition of several branches of the bank as not having paid their expenses, 7446–7452——Successful operation of the branches in the large manufacturing towns, 7453 ——Facility of circulating the notes of the Bank by means of the local banks, if the country issues were withdrawn, 7454–7458——Absence of difficulty as to cashing the notes where there are not branches, 7459——Facility in cashing notes at branches where they are not issued, there being however no legal liability in the matter, 7460–7469.

Peculiar character of the advantages offered by the branches of the Bank of England to the public, the provincial banks of issue not competing in any essential way, 7470 —— Approval of the policy of restraining provincial banks of issue from opening branches within sixty-five miles of London unless they give up their rights of issue, 7472–7476.7479, 7480. 7768.

(*Mr. Palmer and Mr. Hodgson.*) Unwillingness expressed on the part of the Bank of England to offer any opinion upon the question of the Scotch and Irish banks of issue coming to London, 7477. 7761–7763. 7792.

(*Mr. Palmer.*) Absence of analogy between the position or business of colonial and Indian banks in London and of Scotch and Irish banks, 7478——Approval of the present restrictions upon private banks of issue as regards their conversion into join stock companies, 7481.

Imperceptible effect upon the money market by the half-yearly demand from Scotland for gold, the amount varying from 300,000*l.* to 500,000*l.*, 7482. 7632. 7636——(*Mr. Hodgson.*) Inconvenience in 1847 and 1857 by the sudden demand from Scotland for gold during the bank pressure in those years, 7483-7485——(*Mr. Palmer.*) Equal demands from Scotland for gold from the Bank of England notwithstanding the establishment of Scotch banks in London, 7486–7488.

Report, 1875—*continued.*

Hodgson, K. D., M.P., and E. H. Palmer. (Analysis of their Evidence)—*continued.*

Strong deprecation of a re-issue of 1 *l.* notes in England, 7489. 7587–7601——Effect of an issue of 1 *l.* notes to displace from circulation an immense quantity of gold; grounds for objection on this score, 7489. 7591–7601——Further objection on the score of forgery; much greater risk of forgery in the case of 1 *l.* notes than of 5 *l.* notes, 7489, 7490. 7571–7575——Valuable record in the case of 5 *l.* notes; security in their not being re-issued, 7490——Belief as to forgeries being checked in Scotland by the system of exchanges; impression also (shown to be erroneous) as to the Scotch banks paying their forged notes, 7491, 7492. 7494–7504. 7588–7590.

Further statement as to the necessity of centres of issue at Edinburgh and Dublin if 1 *l.* notes were issued by Government for Scotland and Ireland; witness, however, declines to make any recommendation on this point, 7493. 7707–7710——Great difficulty of examination if there were a national issue of 1 *l.* notes for the whole country, 7505–7507.

Statement showing that the gold and securities in the issue department are most sacredly applicable to the notes, the depositors having no claim upon the bullion, 7508–7511——Advantage if approved securities were lodged with the State against the issues by banks, such securities to be withdrawn only when the issues are discontinued, 7512–7514——Difficulty in regard to gold held by the banks against over-issues being really secured to the noteholders in the event of failure, 7515–7519——(*Mr. Hodgson.*) In the foregoing case the gold would go to the general creditors, unless it were earmarked in some particular way, 7519, 7520.

(*Mr. Palmer,*) Inexpediency of any diminution of the amount of gold held by the Scotch banks, even if there were no over-issue of notes, 7521, 7522. 7655, 7656——Important advantage of a gold circulation in comparison with a small note circulation, though in Scotland 1 *l.* notes should not now be abolished, 7523–7527. 7587——Opinion that non-issuing banks might fairly complain of any increase of privileges to issuing banks, beyond those conceded in 1844 and 1845; 7528–7533——Collection of cheques in England free of charge, whilst for cheques upon Scotch banks a charge is made; ground for complaint by English banks on this score, 7534–7536. 7650–7654——(*Mr. Hodgson.*) Doubt as to there being any good reason for this charge, 7536–7538. 7547. 7646–7649.

(*Mr. Palmer.*) Result of witness' experience that he believes the English banks offer all proper and legitimate facilities to the commerce of the country, 7539–7544——Deprecation of any extensive acceptance of bills from abroad by Scotch banks in London as not being legitimate banking business, 7548–7552. 7746–7748. 7757.

(*Mr. Palmer and Mr. Hodgson.*) Explanation of the arrangement between the Bank of England and the Government in connection with the surrender of country issues; the absorption of such issues is no advantage to the bank, 7553. 7557–7570——(*Mr. Palmer.*) Limited extent to which the country banks have been induced to give up their issues and to take a composition of 1 per cent. in return, 7554–7558.

(*Mr. Palmer and Mr. Hodgson.*) Particulars relative to the forgeries of 5 *l.* notes in different years; tabular statement on the subject (*App.* 550, 551), 7571–7578——(*Mr. Hodgson.*) Careful examination in the Bank of England for the detection of forged notes; great increase of staff necessary if there were an issue of 1 *l.* notes, 7579, 7580——(*Mr. Palmer.*) Much greater cost of issue in the case of 1 *l.* notes than of 5 *l.* notes, 7580, 7581——(*Mr. Hodgson.*) Increased difficulty also in the registration of 1 *l.* notes for purposes of reference, 7582–7585.

(*Mr. Palmer and Mr. Hodgson.*) Explanation of the practice of charging for light gold at the Bank of England; very trifling charge in the case of sovereigns returned from Scotland which lose weight on the journey, 7602–7621.

(*Mr. Palmer.*) Requirement by Act as to the weekly publication of accounts by the Bank, these giving all the information directed to be published, 7622, 7623——(*Mr. Hodgson.*) Opinion that the accounts supply more information than the Bank is strictly required to give, and that too many particulars are furnished; tendency of the figures to mislead the public as regards the reserve, 7623–7631——Doubt as to any inconvenience having been caused in London by the demand for gold in Scotland in 1873; 7633–7637.

(*Mr. Palmer.*) Very little fluctuation in the proportion between the provincial and central issues of the Bank; amount in each case, 7638, 7639——Non-circulation of country notes in London or adjacent districts, 7640–7643——(*Mr. Hodgson.*) Impression that in gold and notes the London and Westminster Bank and other London banks keep a larger proportionate cash reserve than is kept in gold by the Scotch banks, 7657–7659.

(*Mr. Palmer.*) Equally large reserves maintained by the Bank of England irrespectively of the 1 *l.* note circulation in Scotland, 7660–7663——Total of about 90,000,000 *l.* in gold in actual circulation; difficulty in showing the effect of financial pressures as regards such circulation, 7664–7670——Objection to the Bank return showing the amount of

Report, 1875—*continued.*

Hodgson, K. D., M.P., and E. H. Palmer. (Analysis of their Evidence)—*continued.*

bankers' deposits, 7671–7673——(*Mr. Hodgson.*) Grounds for strongly objecting to the proposal for publishing the amount held weekly by bankers, the accounts giving too much information already, 7674-7683.

Evidence in support of the conclusion that the business of foreign acceptances is too much undertaken by Scotch and other banks in London, 7684-7688. 7749-7760—— Maximum circulation of 1*l.* notes in England to the amount of 6,700,000*l.* in 1821, when the small notes were made illegal, 7689.

(*Mr. Palmer.*) Decrease of Bank of England branches and increase of country bank branches, notwithstanding which witness would like to see all provincial issues abolished, 7690–7700——Full security for the convertibility of the note if the issue rested entirely with the State; absence of any such assurance under the present system of Scotch or provincial issues, 7700–7703. 7711–7715. 7744, 7745——Facility in the local public obtaining Bank of England notes, though not near any branch of the Bank, 7704–7706.

(*Mr. Palmer and Mr. Hodgson.*) Concurrence in the view that a State issue of notes should not be thrust upon Scotland or Ireland, 7710. 7798. 7826, 7827——Question as to the extent of advantage to the noteholder in Scotland by the requirement as to gold being held against over-issues, 7712–7715——Information relative to the arrangements between the State and the Bank of England as to the remuneration of the latter in the issue department; net profit of not more than 90,000*l.* to the Bank, 7716–7740.

(*Mr. Hodgson.*) Entire security for the Bank of England issues in the shape of gold and Government securities, specially hypothecated for the purpose, whereas the Scotch or provincial issues are not represented by securities specially held against them, 7719–7734. 7741–7743——Explanation that, personally, witness does not object to the Scotch banks coming to London, 7764–7766——(*Mr. Palmer.*) Opinion that the London bankers have rather a grievance on the foregoing question, 7766, 7767.

(*Mr. Palmer and Mr. Hodgson.*) Concurrence in the objection to country banks of issue coming within the sixty-five miles radius, 7768, 7769——Explanations as to the data for the calculation that the total gold currency in the United Kingdom is 117,000,000*l.*, including that held by the Bank of England, 7770–7785——Statement as to there being nothing in the legal privileges of the Bank of England to exclude Scotch banks from London, the whole question arising under the Acts of 1844 and 1845; 7786–7793.

Concurrence in the view that any existing restrictions upon Scotch or English banks of issue should not be removed, the wiser policy being to gradually concentrate all issues in the State, 7794-7798. 7818–7827——Non-objection to the establishment of new banks in London, although there may be no complaint about the existing facilities, 7799, 7800——Important value of a gold circulation with reference to bad harvests and foreign drains, 7801–7804.

(*Mr. Hodgson.*) Increased reserves of bankers with the Bank of England in times of panic, 7809, 7810——Large extra amount of gold drawn from the Bank for Scotland during the pressures of 1847 and 1857, more especially in the latter year; comment hereon upon the system of the Scotch, banks in keeping so little gold at home, 7811–7815. 7911–7922. 7942–7963——(*Mr. Palmer.*) Less risk of forgery of 1*l.* notes when issued locally, 7816, 7817.

(*Mr. Palmer and Mr. Hodgson.*) Concurrence in the view that, whilst the Bank of England issues are absolutely safe, Scotch and provincial issues are only comparatively safe, 7818–7824. 7896–7908——Explanation on the subject of the local convertibility of Bank of England notes, there being little, if any, practical inconvenience on this score, 7828–7831. 7840–7846. 7871–7873. 7887. 7895.

(*Mr. Hodgson.*) Facility of supplemental arrangements for preventing inconvenience to holders of local issues, if absorbed by the State, 7832, 7833——(*Mr. Palmer.*) Compensation of 1 per cent. still given for the surrender of issues, 7834–7836. 7869——(*Mr. Hodgson.*) Wise course pursued by the National Provincial Bank in giving up its issue, though shut out from compensation, 7837–7839. 7868.

(*Mr. Hodgson.*) Severe pressure on the Bank of England on the part of the provincial banks in 1866; great demand for Bank of England notes on this occasion, 7847–7851. 7936-7938. 7945-7947——(*Mr. Hodgson and Mr. Palmer.*) More frequent variations in the Bank rate than in former years; tendency to higher rates in the last three months of the year, 7852–7857——(*Mr. Hodgson.*) The periodical demand for gold in Scotland does not affect the Bank rate, 7858, 7859——Regulation of the rate by the state of the reserve, 7860.

Increased amount of bullion held by the Bank since the Act of 1844; 7861-7864—— Opinion that any obligation upon banks of issue in England as to lodging securities should apply equally to banks in Scotland and Ireland, 7870——Large proportion of the bankers' balances with the Bank of England as compared with the Bank reserve; opinion

Report, 1875—*continued.*

Hodgson, K. D., M.P., and E. H. Palmer. (Analysis of his Evidence.)—*continued.*

opinion that this is not a source of danger in times of panic, 7874–7885——Limited quantity of bullion in England save in the Bank, 7886.

Further approval of issuing banks being required to deposit approved securities against their issues, in the absence of a gold basis, 7899–7901——Very little value of the so-called deposit of gold against over-issues in Scotland; fallacy through the gold not being hypothecated to the notes, 7902–7910.

(*Mr. Palmer and Mr. Hodgson.*) Economy of circulation when the rate of discount is high; decided value of a gold circulation at such times, 7923–7930——Strong feeling on the part of the Bank of England against any increase of the paper circulation by supplemental issue of 1 *l.* notes, 7931–7933——Mitigation of the run upon the Bank in times of panic if the issues were concentrated in the State, 7934–7938——(*Mr. Hodgson.*) The Bank has no pecuniary interest in the question of a State issue, 7934, 7935.

(*Mr. Palmer and Mr. Hodgson.*) Interference with the legislation of 1844, and so far with the privileges of the Bank of England if the Scotch banks issued notes in London, 7939–7941——(*Mr. Hodgson.*) Absence of pressure from the Irish banks upon the Bank of England, whilst there has been only one pressure from the English provincial banks, 7942–7947.

I.

Inequalities of Legislation. Very different manner in which banks in Scotland and banks in England have been treated by the Legislature, the privileges of English issuing banks being insignificant in comparison with the unlimited power of issue of the Scotch banks, including the issue of 1 *l.* notes, *Dun* 6177——Inequality and injustice by reason of the very different privileges of existing Scotch banks as regards their authorised issues; question hereon as to there being any similar inequality between English issuing banks, *ib.* 6214. 6362–6375.

Injustice and inequality in the treatment of English banks by the Legislature as compared with the treatment of Scotch banks, *Crake* 7357–7362.

Question really for the consideration of Parliament whether the inequality of competition by reason of the monopoly of the Scotch banks is of such magnitude as to call for legislative interference, *Bagehot* 8156–8162.

See also *Scotch Banks.*

Insurance Companies. Absence of analogy between Scotch insurance offices and Scotch banks as regards the question of competition in England, *Dun* 6183.

Interest on Deposits, &c. See *Deposits.* *Rates and Charges.*

IRELAND:

Power of establishing a new bank in Ireland under the Act 6 Geo. 4, or under the Companies Act of 1862, *Tatham* 556–561——Prohibition by Act in 1781 of the establishment in Ireland of any joint stock bank of issue other than the Bank of Ireland; continuance of this prohibition till 1821, *Fitzgerald* 2333——Relaxation of the foregoing prohibition in 1821, to the effect that joint stock banks of issue might establish themselves beyond fifty miles from Dublin; further relaxations in 1825 and 1830, *ib.* 2333. 2334——Power under the Act of 1844 for any bank of issue to establish itself and issue notes in any part of Ireland, *ib.* 2334.

Amount of the authorised and actual issues of the Bank of Ireland, National Bank, and Provincial Bank; average deficiency of actual issue to the extent of about 800,000 *l.* in the former case, *Belton* 2393–2402——Use chiefly of 1 *l.*, 3 *l.*, and 5 *l.* notes; issue formerly of 30 *s.* notes, *ib.* 2441–2444——Belief that no banks of issue have ceased during the last twenty years, *ib.* 2512, 2513.

Evidence as to the advantage of a re-distribution of issues in Ireland, and of allowing the banks of non-issue to share in the unused issue of the Bank of Ireland; additional facilities thereby to the public, *Belton* 2579–2602. 2620, 2621——Increased extension of small branches if witness' bank had the right of issue, *ib.* 2593–2602. 2671–2673. 2698——Considerable amounts invested in local undertakings, *ib.* 2694–2697——Large increase of banking accommodation in Ireland, the country being now very fairly banked, *Mills* 2939–2943. 2990–2998——Satisfaction of witness with the present banking system, *ib.* 2988, 2989.

Decreased circulation of the issuing banks in Ireland if the power of issue were given to the non-issuing banks, *Du Bedat* 3055–3057——Inexpediency of increased powers of issue in the Irish banks in view of the limited amount of gold held, *ib.* 3287–3290.

Report, 1875—*continued.*

IRELAND—continued.

Return of the average issues of banks in Ireland in each November from 1846 to 1874, *App.* 478.

See also *Acts of Parliament.* *Agencies (London).* *Bank of England,* III. *Bank of Ireland.* *Branch Banks,* 2. *Deposits,* 3. *Hibernian Bank.* *Legal Claim.* *Munster Bank.* *National Bank.* *Northern Bank of Ireland.* *Note Circulation,* 2. *One Pound Notes,* III. *Provincial Bank of Ireland.* *Rates and Charges.* *Ulster.*

J.

Joint Stock Banks. Belief that previously to 1826 no joint stock bank nor any bank with six partners, could have been established in England, *Fleming* 57——Policy of the Government in 1833 to prevent the introduction of joint stock banks into London, without interference with the right of issue of the Bank of England, *ib.* 99–101.

Legal difficulty in the way of English joint stock banks of issue opening branches in London in the names of a few shareholders under a separate agreement, *Palgrave* 5975–5978.

Annual averages of authorised and actual issues of joint stock banks in England and Wales in each of the years 1844–74, *App.* 486.

Names of the joint stock banks of issue in England and Wales with the authorised and actual issues in each case, *App.* 493–499.

Return showing the total capital, subscribed and paid up, of joint stock banks in London, and in the country, in England, Ireland, and Scotland, and the amount of public deposits and of bank deposits, *App.* 559.

See also *Country Banks.* *Private Banks.* *Scotch Banks.*

L.

Lapsed Issues. Calculation showing that since 1844 circulation to the amount of nearly 2,000,000*l.* has lapsed in England, including nearly 600,000*l.* through failures; smaller proportion, however, than in Scotland in reference to the population of each country, *Readman* 3679–3695. 3839–3841. 3870–3875——Total of 609,900*l.* as the amount lapsed by failure and amalgamation since 1844, *Palmer* 7430.

Table showing the lapsed issues of private and joint stock banks, respectively; aggregate of 2,125,488*l.*, *App.* 553.

See also *Surrender of Issues.*

LEGAL CLAIM (SCOTCH AND IRISH BANKS):

1. *Views of Mr. Fitzjames Stephen upon the Question as to the Legal Right of Scotch and Irish Banks to establish themselves in London or within a Radius of Sixty-five Miles.*
2. *Views of Sir Henry Thring; Memorandum by him on the Subject.*
3. *Views of Mr. Tatham; Legal Authorities adduced by him.*
4. *Opinion of Sir Roundell Palmer in* 1855.
5. *Opinions of Sir James Scarlett, Sir Edward Sugden, and Mr. Richards in* 1833.
6. *Suggested Removal by Legislation of the existing Ambiguity.*
7. *Suggestion that the Ambiguity be removed by Trial at Law.*
8. *Other Evidence generally as to the Claim in Question.*

1. *Views of Mr. Fitzjames Stephen upon the Question as to the Legal Right of Scotch and Irish Banks to establish themselves in London or within a radius of Sixty-five Miles:*

Investigation by witness of the numerous and complicated Statutes relating to banking, with reference more especially to the right of Scotch banks to carry on business in London or in the provinces, *Stephen* 203–205. 292——Preparation by him of a digest of the law, involving six distinct propositions which he submits to the Committee as covering the questions under inquiry, *ib.* 205——Reference to and quotation of the first four propositions, as being simplified statements of the law on various points and as not being open to dispute, *ib.*

Argument in detail in support of the fifth proposition, that no joint stock bank which issues notes anywhere, except banks in England more than sixty-five miles from London, may carry on business in any part of England, *Stephen* 205 *et seq.*

Argument in support also of the sixth proposition, that any joint stock bank which does not issue notes anywhere may carry on all other branches of banking business except the issue of notes in any part of England, *Stephen* 205 *et seq.*

Argument

LEGAL CLAIM (SCOTCH AND IRISH BANKS)—continued.

1. *View of Mr. Fitzjames Stephen as to the Question, &c.*—continued.

Argument that under the Act of 1826 the Scotch or Irish banks of issue have not a legal right to establish themselves beyond the sixty-five miles radius, *Stephen* 214–226. 336. 349–351. 385–391. 396, 397.

Statement as to the whole course of legislation treating English and Scotch banking as essentially different things, based upon different principles, *Stephen* 239. 252–257 ——Explanation that witness' investigation of the law has been undertaken at the instance of English bankers, and that he appears before the Committee in his professional capacity, *ib.* 275–279.

Opinion that the Bank of England could not go to Scotland, but that English banks of issue might have branches (without issue) in Scotland; reason for the non-reciprocity between the two countries, *Stephen* 306–316——Illegality of any bank in London which in Scotland or any other country has the privilege of issue, *ib.* 326–329.

Attention of witness drawn to the establishments in London of the Provincial Bank of Ireland and the National Bank, notwithstanding the alleged illegality thereof, *Stephen* 352–355——Examination to the effect that any Irish bank establishing itself in London must act only as a bank of deposit in Ireland in order to comply with the law, *ib.* 356–364.

Improbability of the judges being much guided by the debates in Parliament on the passing of Bills in their interpretations of the law; admission, however, as to the debates in respect of the Acts in question throwing some light on disputed points, *Stephen* 365–367. 392–395.

Admission as to the legal questions investigated by witness being open to different views; the opinions given by him are, however, the honest result of a careful study of the law, *Stephen* 368–373. 375——Even if the Scotch banks of issue can come to England they cannot come within sixty-five miles of London, *ib.* 391.

2. *Views of Sir Henry Thring; Memorandum by him on the Subject:*

Preparation by witness for the assistance of Government of a memorandum relative to the state of the law on the question of Scotch and Irish banks establishing branches in England, *Sir H. Thring* 398–401. 406. 414, 415; and *App.* 432–439.

Decided opinion that Scotch or Irish banks of issue cannot have branches in London or within sixty-five miles of it, *Sir H. Thring* 401–410——Dissent from Mr. Fitzjames Stephen upon the question whether Scotch banks of issue can come into England beyond the sixty-five miles radius; witness considering that they may so come, *ib.* 401. 404. 406 ——Legal prohibition in force although Scotch or Irish notes may not enter into any competition in England with Bank of England notes, *ib.* 424–431. 437–439. 449–451.

Examination showing that on certain points the opinion of Mr. Fitzjames Stephen is strengthened that, even beyond the sixty-five miles radius, Scotch or Irish banks of issue cannot come into England under the Act of 1826, *Sir H. Thring* 454–477.

Conclusion arrived at by Sir Henry Thring that, save the Royal Bank of Scotland, no Scotch bank can legally establish a branch in London or within sixty-five miles thereof, *App.* 439.

3. *Views of Mr. Tatham; Legal Authorities adduced by him*

Argument that the legal prohibition upon banks of issue establishing themselves in London does not apply to banks of issue in Ireland or Scotland, as not being within the limits of the Bank Charter Act, *Tatham* 500 *et seq.*; 566 *et seq.*

Opinions of Sir Richard Bethell, Mr. Wordsworth, and Mr. Welch in 1853 to the effect that the National Bank could legally come to London or withing sixty-five miles, *Tatham* 500–505——Similar opinion given by Mr. Bovill, *ib.* 506–508.

Similar footing upon which all the Irish banks are placed as regards the right of coming to London; that is, if they had not been prevented by their own constitution, *Tatham* 562, 563. 594–600. 611–622. 635–637. 659——Circumstance of Richard Bethell having at first believed that the National Bank could not come to London; that is, until he had heard witness' views on the subject, *ib.* 590——Statement as to witness not having brought directly before Sir Richard Bethell the Act of Will. 3, nor the Acts of 1826 and 1833, *ib.* 649–655.

Concurrence in certain conclusions expressed by Sir John Campbell as Solicitor General in 1833, to the effect that any bank of issue might at common law have come to London as a bank of deposit, *Tatham* 660–666. 686–688. 718–723. 756, 757.

Consideration of objections to the view that Irish and Scotch banks of issue may by law carry on banking business in London, and that it is illegal for English banks of issue to do so, *Tatham* 664 *et seq.*

Report, 1875—*continued.*

Legal Claim (Scotch and Irish Banks)—continued.

4. *Opinion of Sir Roundell Palmer in* 1855 :

Case submitted for the opinion of Sir Roundell Palmer in 1855, upon the question of the Clydesdale Bank coming to London; opinion as to the legality of the proposed step, *App.* 479-482.

5. *Opinions of Sir James Scarlett, Sir Edward Sugden, and Mr. Richards in* 1833 :

Reference to certain opinions of Sir James Scarlett and Sir Edward Sugden to the effect that banks of issue could do business in London as banks of deposit and discount, *Tatham* 645, 646.

Opinions of Sir James Scarlett, and of Sir Edward Sugden and Mr. Richards, in August 1833, upon the question whether a joint stock bank could be established in London or within sixty-five miles thereof, *App.* 449-452.

6. *Suggested Removal by Legislation of the existing Ambiguity :*

Expediency of a further Act of Parliament in order to remove the present ambiguity of the law, *Sir H. Thring* 444-448. 452. 483.

7. *Suggestion that the Ambiguity be removed by Trial at Law*

Witness suggests that the question as to the legal right of the Scotch banks to come to London be tried by law, *Bagehot* 7965.

8. *Other Evidence generally as to the Claim in Question :*

Legal conclusions of Sir Henry Thring adverted to; reference hereon to the express prohibition upon Scotch or Irish issues in England by the Act of 1844, *Fleming* 17, 18. 112-117——Evidence in support of the view that, under the Act of 1826, Scotch banks of issue might establish themselves in England beyond the sixty-five miles radius, *ib.* 57-62. 65. 85-99. 132-136. 162-176——Argument that the Scotch banks as not issuing notes in England do not "borrow, owe, or take up" money in England, *ib.* 78-81.

Confused state of the law as to English banks going to Scotland or Ireland, whilst it is doubtful whether Scotch or Irish banks can come to England, *Wade* 1979-1982. 2141——Claim of the issuing banks at common law, as well as under the Act of 1844, *Seebohm* 4617, 4618——Impression as to the provincial banks of issue not being allowed to come within sixty-five miles of London; doubtful state of the law on this point, *Cooke* 6747-6749.

See also *Acts of Parliament.* *Bank of England,* I. 1. *Clydesdale Banking Company,* 1. *Country Banks,* 3. *National Bank,* 5. *Peel, Sir Robert.*

Legal Tender. Explanation in connection with the clause in the Act of 1845, declaring that a Bank of England note is not a legal tender in Scotland, *Fleming* 177-180——Belief that no disadvantage would result to the Scotch banks if Bank of England notes were made a legal tender in Scotland, *Davidson* 1090-1092.

Extent to which a Bank of Ireland note is a legal tender in Ireland; this does not apply to Bank of England notes, *Fitzgerald* 2468-2470 —— Authority for the statement that Bank of Ireland notes are not a legal tender in Ireland, *Mills* 2925, 2926. 2944-2947; *Du Bedat* 3021-3036. 3171-3174.

Statement as to the notes of the Bank of Prussia or Bank of France not being a legal tender, *Palgrave* 6162.

Explanation that the Bank note is a legal tender to the public everywhere, *Hodgson* 7831; *Palmer* 7887, 7888.

Legislation. See *Abolition of Local Issues.* *Acts of Parliament.* *Assimilation of the Law.* *Extension of Issues.* *Inequalities of Legislation.* *Legal Claim.* *Scotland.*

Liabilities of Banks. Very small proportion borne by the amount of issue of a well-conducted bank to its other liabilities, *Seebohm* 4856.

Return showing under different heads the liabilities and assets of the several Scotch banks, as per last annual accounts, *App.* 455.

See also *Bank of England,* I. 2., II. 1. *Bank of Scotland.* *Country Banks,* 6. *Deposits.* *Excess of Authorised Issues.* *Exchanges of Notes.* *Gold and Silver Coin.* *Reserves.*

Report, 1875—*continued.*

Licemse Duty. Payment of 16,590 *l.* by the Scotch banks in 1874 for licenses to issue notes, *Davidson* 818. 822——Explanation in connection with the license payment of 30 *l.* a year for every branch opened since 1845, the payment being 120 *l.* for those offices that existed previously to 1845, *ib.* 819–828.

Non-payment of any license duty on the opening of new branches in Ireland by the National Bank, *Mills* 2974, 2975 ——No license duty is paid by the Bank of Ireland, *Du Bedat* 3093. 3293–3297.

Practice as to the payment of licenses for branches in Cumberland, at which notes may not be issued at all, *Gordon* 4522-4528——Payment of a license duty of 30 *l.* for each branch of witness' bank as well as for the head office, this, with composition of 7 *s.* per cent., amounting to 17 *s.* per cent. upon the issue, *Seebohm* 4761-4764——There is no license paid when a new branch is opened by the Manchester and Liverpool District Bank, *Cooke* 6549.

Light Gold. Practice of the Scotch banks not to make any charge to their customers for light gold, though they have to pay the Bank of England for light weight, *Davidson* 1205-1211——Degree of check to the gold in circulation by the practice of the Bank of England as to charging for light weight, *Wade* 2269–2284——Risk of loss from light sovereigns, whereas there is very little risk of forged 1 *l.* notes, *Du Bedat* 3398, 3399.

Inconvenience and loss in respect of light gold, this, however, being fully counterbalanced by saving the expenses of a 1 *l.* note issue, *Seebohm* 4773-4782—— Doubt as to the loss by light gold being an appreciable per-centage on the transactions of the country, *ib.* 4880, 4881——Practice of witness' bank not to make any charge for light gold, *ib.* 4884, 4885.

Explanation of the practice of charging for light gold at the Bank of England; very trifling charge in the case of sovereigns returned from Scotland, which lose weight on the journey, *Palmer and Hodgson* 7602–7621——In a box of 5,000 sovereigns the average number that may become light is about eight, the charge being about 1 *s.* 4 *d.* on 5,000 *l.*, *Hodgson* 7613–7617——Great facility in weighing, *Palmer and Hodgson* 7618.

Limited Liability of Banks. Statement as to England being much over-banked at present, owing mainly to the principle of limited liability under the Companies Act of 1862, *Cooke* 6604, 6605——Grounds for witness' objection to the extensive adoption of the principle of limited liability in banking, *ib.* 6795-6803.

Liverpool. Very keen banking competition, *Rae* 5128——Nature of the arrangements with the Bank of England, and the concession as regards discount rates, which have induced the joint stock banks at Liverpool to confine their issues to Bank of England notes, *ib.* 5185-5192.

Particulars relative to the practice of witness' bank at Liverpool, and of other joint stock banks there, in regard to commission and other charges to customers in respect of the summation of accounts and of overdrawn accounts, &c., *Rae* 5240–5285. 5333–5336. 5369–5390. 5463–5465. 5472——Willingness of the Liverpool banks to conduct business and to open accounts on the terms of the London banks; reference hereon to certain alleged restrictions in connection with payments for cotton, *ib.* 5268–5285. 5369–5387.

Explanation on the subject of discount operations in Liverpool, witness disputing the suggestion that discounts are driven away by the commission charges of the banks, *Rae* 5369–5387. 5426, 5427.

Satisfaction of the non-issuing banks at Liverpool with the present system, the issuing banks not asking for any enlargement of their privileges, *Rae* 5409, 5410.

Average of 13⅔ as the net profit per cent. upon the capital of all the Liverpool banks in 1874; profit of 17¼ per cent. divided by the North and South Wales Bank, *Rae* 5466-5471.

Local Issues. See *Country Banks.*

London (*Banking Accommodation*). Belief that there is ample banking accommodation in London at the present time, the competition being exceedingly keen, *Smith* 6983–6990. 7007–7010——Non-objection to the establishment of new banks in London, although there may be no complaints about the existing facilities, *Palmer and Hodgson* 7799, 7800.

Return containing statistics as to the amount of deposits in the London banks, *App.* 559.

London and County Bank. Net profit of the London and County Bank in 1874 at the rate of 1 *l.* 4 *s.* 1 *d.* per cent. on its working resources, as against 1 *l.* 7 *s.* 1 *d.* per cent. in the case of the Bank of Scotland, *Palgrave* 6168, 6169.

London (Establishment of Scotch and Irish Banks). See *Acts of Parliament. Agencies (London). Bank of England,* III. *Bank of Scotland. Legal Claim. Management of Banks. National Bank. Royal Bank of Scotland. Scotch Banks.*

London Joint Stock Banks. Statement of the deposits and capital of the London Joint Stock Banks in 1844 and 1875; immense increase of deposits, *Palgrave* 5543.

Paper submitted by Mr. Gairdner containing an analysis of the balance sheets of the several London Joint Stock Banks for 1874 (extracted from the "Economist" newspaper of 13th February 1875); *App.* 462.

Return showing the total amount of subscribed and paid-up capital, the rest, or reserve of undivided profits, and the deposits, *App.* 559.

London (Private Banks). Circumstance of London banks having formerly issued notes or bills payable on demand in England, and having been restrained by Act from continuing the practice, *Smith* 7018-7023.

London and Westminster Bank. Avoidance of foreign acceptances by the London and Westminster Bank, as much as possible; total of about 1,000,000 *l.* mainly for bankers, *Crake* 7318. 7320. 7366-7378. 7384. 7413, 7414. 7421-7423.

Lost Notes. Illustrations of the very small loss of notes in Scotland, *Gairdner* 1222-1224. 1226, 1227——Very small loss of notes in Scotland by fire or otherwise, *Davidson* 1212-1221.

Considerable sum represented by the unpresented notes of the National Provincial Bank, *Wade* 2305-2308.

M.

Management of Banks. Great advantage of local direction and knowledge in the conduct of banks; disadvantages of large institutions whose head quarters are far removed from the branches, *Gordon* 4473. 4567, 4568.

Liability to loss of central control in the case of Scotch banks with a very large number of branches, *Dun* 6381——Advantage in banks confining themselves to their proper localities, where their customers are known to them, *Cooke* 6779.

Risk when a bank carries on business at a considerable distance from its centre of management, *Smith* 6995-6998. 7005, 7006. 7105-7112. 7229-7237.

Necessity of paying large salaries in order to secure good bank managers in London, the staff required for a branch involving heavy expense, *ib.* 7043-7048.

Manchester. Prospect of serious competition in Manchester, as in London, by the introduction of Scotch capital obtained on easy terms, *Cooke* 6747. 6750-6751——Non-competition of any issue bank in Manchester or Liverpool, *ib.* 6783, 6784. 6833.

Manchester and Liverpool District Bank:

The bank was established in 1829, and is not a bank of issue, *Cooke* 6541-6543——The head office is in Manchester and there are about fifty branches, some of which are only open for one or two days in the week, *ib.* 6545-6548. 6758, 6759——Total of 905,000 *l.* as the paid-up capital of the bank, the deposits being about 12,500,000 *l.*; *ib.* 6550, 6551.

Proportion between the reserves of the bank and the liabilities to the public; large reserve in the Bank of England branches at Manchester and Liverpool, *Cooke* 6552-6557——Liability of the shareholders for a further sum of 905,000 *l.* of unpaid capital, besides which the bank is one of unlimited liability, *ib.* 6554.

Practice of the bank as to charging for the cashing of Bank of England notes, if presented at towns where they are not issued; explanation hereon as to interest being allowed on all sums whether paid in to current accounts or as deposits, *Cooke* 6560-6563——Dividend of twenty per cent. paid by the bank for the last nine years, *ib.* 6564.

Explanation as to the bank having given up its right of issue in 1844, and having accepted an annuity of one per cent. on the amount from the Bank of England, *Cooke* 6573-6575. 6706-6718. 6760-6763——Advantage in the bank having an agency in London, instead of a separate branch, *ib.* 6752-6754. 6776-6778——Very dangerous position of the bank in 1839 and 1840, owing very much to Scotch management, *ib.* 6825, 6826.

Reference to the paid-up capital and reserve fund in 1874 as being in the proportion of 12 per cent. to the deposits, *Cooke* 6828, 6829——Proportion of thirty-four per cent. borne by cash and investments to total liabilities, *ib.* 6829-6832. 6857-6859.

Melville, The Hon. Alexander Leslie. (Analysis of his Evidence.)—Is Chairman of the Association of Country Bankers; is well conversant with the Scotch banking system, 4967, 4968——Protested, but without effect, against the establishment of the Clydesdale Bank

Report, 1875—*continued.*

Melville, The Hon. Alexander Leslie. (Analysis of his Evidence)—*continued.*

Bank in Cumberland, 4969——Took an active part in reference to the legislation of 1844, and is confident that Sir Robert Peel never intended that the Scotch banks should be free to come to London; this was the feeling at the time of the English bankers generally, 4970–4974.

Practice of banks in England as well as of Scotch banks to allow interest on deposits and on current accounts; illustration in the case of witness' bank, 4975——Particulars relative to the heavy charge for the remittance, recently, of a sum of 10,350 *l.* from the Royal Bank of Scotland, in Edinburgh, to a customer of witness' bank in London; alternative modes of remittance offered by the Royal Bank, and amount of charge in each case, 4975, 4976. 4983–5001. 5017. 5022——Illustration on the other hand of the facility in the remittance and collection of cheques in England free of charge, 4975, 4976——Charge made by witness' bank to customers, for remitting money, whereas the Scotch banks charge the holder of the cheque, 4976. 4982. 4993–5001.

Undue advantage of the Scotch banks, in competition in England, by reason of their special privileges enabling them to procure on easy terms in Scotland ample resources for such competition, 4977–4980——Illustration of the action of the Bank of England some years ago in dispensing with a charge for the cashing of cheques by the branches and the remittance of the money to London, 4982——Practice of English joint stock banks as to making certain charges against Scotch banks in respect of cheques sent from Scotland; that is, after the example set by the latter banks, 5025.

Amendments made in the Bill of 1844, at the instance of witness, in regard to the mode of taking the averages, 5029——Modification desirable in respect of the provisions against over issue, *ib.*——Excellence of the Act, on the whole, the English bankers generally looking upon it as a permanent settlement, and fully approving of it, save for the "slip" about the Scotch banks, 5029, 5030.

Mills, Edward James. (Analysis of his Evidence.)—Is Joint Manager of the National Bank (Ireland), and is also inspector of branches, 2714–2717——Total of seventy-six branches of the bank in Ireland and of seven in England with a head office in London, 2718, 2719——Right of issue exercised in Ireland by six banks, the total authorised issue being 6,354,494 *l.*, and the actual circulation 6,800,000 *l.*; 2720–2724——Circulation to the amount of forty-five per cent. represented by notes under 5 *l.*; 2725——The total bullion held is nearly one-half of the notes in circulation, 2726–2730.

Demand of traders and farmers chiefly for the smaller notes, 2732. 2753, 2754——Increase of circulation in the spring and after harvest, 2733——Progressive increase in the total circulation since 1857; decrease previously through the famine and the large emigration, 2734–2747——Use of half-sovereigns and silver in the payment of wages, 2748, 2749. 2753——Explanation of the regulations as to coin being held by the National Bank against its issues; payment of four banking licenses of 30 *l.* each, on the four depôts where the bank holds coin against the excess circulation, 2755–2767——Duty of 7 *d.* per cent. paid on the general circulation, 2760. 2836, 2837——Limited demand for coin at the branches; minimum of 2,000 *l.* held at the small branches, 2768–2773. 2819, 2820.

Information in connection with the run upon the bank in 1857; necessity of drawing at least half a million in coin from London, 2774–2790——Advantage to the bank if the averages were taken quarterly instead of every four weeks; less gold required in such case, 2791–2795——Much less gold held if it were not necessary to hold against notes, 2796——Less expense if the bank could deposit securities instead of holding gold, 2797–2800.

Particulars relative to the authorised and actual circulation of the bank, the total liabilities, amount of bullion held, &c.; circumstance of the National Bank holding more gold and silver than any other bank in the United Kingdom, except the Bank of England, 2801–2826. 2838–2840——Very small deposits held by the bank in London; discouragement of such deposits on the ground, namely, that the margin of profit is too small in proportion to the risk, 2827–2834. 2877——Reference to the circulation of the Northern Bank of Ireland, and the proportion of gold held, 2841–2843.

Head office of the National Bank in London since 1854, whereas they did not enter the clearing-house till 1859; admission in that year of the legal right of the bank to establish itself in London, 2844–2858——Practice of the bank as to employing some of its Irish deposits in securities or reserves in London, but not in loans to the London public, 2857–2865. 2881——Large increase made in the capital of the bank on undertaking business in England, 2866–2871.

Statement as to the result of the establishment of the Bank in London not having equalled the expectations of the directors; character of the business adverted to hereon, 2872–2882——The note circulation of the bank in Ireland in no way aids the development of its London business, 2883——Absence of analogy, on the score of competition, between foreign or colonial banks in London and the National Bank, 2884–2888.

Report, 1875—*continued.*

Mills, Edward James. (Analysis of his Evidence)—*continued.*

[Second Examination.]—Transaction of business in London by the Provincial Bank of Ireland through agents, 2889——Adoption of the English charges by the National Bank in its English business, 2890——Similarity between the charges of banks in Ireland, though there is no understanding as to uniformity, 2891–2894. 2918–2920 2972, 2973——Charge of 1 *s.* per cent. made by the bank when cheques are sent to its Irish branches by English banks, 2895–2898——Preference of the people of Ireland for 1 *l.* notes rather than sovereigns in the payment of wages over that amount, 2899–2901.

Further statement as to the National Bank not inviting deposits in London on account of the small margin of profit; reference hereon to the large dividends of the London and Westminster Bank, whose deposits are very considerable, 2902–2917. 2921, 2922. 2955–2958. 2961. 2967——Authority for the statement that Bank of Ireland notes are not a legal tender in Ireland, 2923–2926. 2944–2947——Payment in full of the capital of the Bank of Ireland, there being no further liability, 2927.

Profit of the National Bank on its London business, though not holding large deposits, 2928, 2929——Practice as to making charges for business done in London for customers in Ireland, 2930–2932——Rule of the bank as to the rate on deposits in Ireland being regulated by that of the Bank of Ireland; independent action, however, on this point, 2933, 2934. 2951–2954. 2962–2966——Large increase of banking accommodation in Ireland, the country being now very fairly banked, 2939–2943. 2990–2998.

Considerable increase since 1864 in the savings banks deposits in Ireland, 2948, 2949.——Progressive increase of the Irish deposits of witness' bank for the last six years, the wealth of the country having increased, 2959, 2960——Discouragement of acceptances by the bank, 2970, 2971——Non-payment of any license duty on the opening of new branches, 2974, 2975——Further explanation as to the notes of the bank not being payable at all the branches; limited inconvenience thereby, 2976–2987. 3010–3015.

Satisfaction of witness with the present banking system, 2988, 2989——Further statement as to the varying amount of gold held at the different branches, the minimum in any case being 2,000 *l.*; total of about 250,000 *l.* at the seventy-six branches in Ireland (exclusive of the depôts), 2999–3009——Large surplus receipts of gold sent by the bank yearly to London, there being very little public demand for it in Ireland, 3016, 3017.

Monopoly (Scotch Banks):

Monopoly of Scotch banks as to issue, but not as to banking, under the Act of 1844; *Fleming* 122–125——Opinion that the withdrawal of the monopoly in the direction of admitting English banks with similar privileges would not result in the actual introduction of the latter, the existing competition being very keen, and the whole country being thoroughly banked, *Davidson* 953–959; *Gairdner* 965–977——Argument that the so-called monopoly of the Scotch banks arises less from the right of issue than from the low margin of profit, *Gairdner* 960–965.

Reference to the magnitude of the business as accounting for the success of the banks, *Gairdner* 968——Competition in accommodation, though there is agreement as to charges, *Davidson* 1095–1097. 1178–1180——Absence of demand for new banks since the Act of 1845; *ib.* 958——Failure of some banks established in Scotland for the purpose of carrying on business there and in London, the head-quarters being in London, *Gairdner* 1295, 1296——Non-establishment of any new banks since 1844; *ib.* 1422.

Complete monopoly of the Scotch banks, as proved by the fact that no new bank has been established since 1845; this monopoly is the result of their Parliamentary privileges of issue, *Wade* 1724. 1727–1729——Obstacles to competition with the Scotch banks in Scotland even if English banks were allowed the same privileges of issue, *Wade* 1735–1744. 2090–2096; *Crake* 7408–7412——Way in which an English bank in Scotland issuing Scotch notes would tend to increase the business of the banks issuing such notes; the same conditions do not apply as regards the use of Bank of England notes by local banks, *Wade* 1819–1828——Circumstance of the Scotch banks having diminished in number before as well as since 1844; *ib.* 2008–2011——Monopoly of the Scotch banks adverted to as enabling them to conduct business more cheaply, *Gordon* 4549–4556.

Monopoly of the Scotch banks in Scotland, all the banks acting in concert as to their charges, it being inexpedient to extend the operation of this monopoly into England, in unfair competition with English banks, *Seebohm* 4620, 4621. 4625.

Adherence of witness to a statement in his "Notes on Banking," that the small margin of profits of the Scotch banks is the main explanation of the non-establishment of new banks, *Palgrave* 5982–5984——Respects in which there is no analogy between Scotch banks coming to London and English banks going to Scotland, *ib.* 6150–6156.

Decided monopoly of the Scotch banks at home, so that it is not fair that they should claim the advantages of free trade abroad, *Dun* 6184, 6185. 6276, 6277——Tendency of the monopoly of the Scotch banks to diminish competition to the prejudice of the public, *ib.* 6186, 6187——Exclusive monopoly in Scotland of the eleven existing banks of issue; conclusion that no non-issuing bank could compete with them, *ib.* 6214–6216. 6337–6361

Monopoly (*Scotch Banks*)—continued.

6361. 6365. 6535-6538——Statement by Sir Robert Peel in 1844 that he was giving the Scotch banks a monopoly of issue; the result has been a monopoly of banking, *Dun* 6337, 6338.

Examination to the effect that the success of some non-issuing banks in Ireland does not affect witness' argument that in Scotland the issue has conferred a monopoly, *Dun* 6339-6361. 6535-6538——Complaints made from Glasgow and other places as to the monopoly which exists, *ib.* 6357.

Conclusion as to the Scotch banks having a monopoly in Scotland by reason of their legislative privileges, *Smith* 6865-6868. 6902, 6903; *Crake* 7332-7336——Impolicy of a monopoly in banking in Scotland, it being unexpedient to extend such monopoly into England; question, however, whether it is wise to disturb the existing state of things in Scotland, *Bagehot* 8130-8135. 8151-8155. 8174-8176.

See also *Public, The. Scotland.*

Munster Bank:

Establishment of the Munster Bank in 1864, there having been a general feeling in the south of Ireland that more banking accommodation was required, *Belton* 2356-2360——Numerous branches opened by the bank in the counties of Cork, Limerick, Tipperary, &c.; competition in this respect chiefly with the Bank of Ireland and National Bank, who have greatly increased their branches since 1864; *ib.* 2361 *et seq.*

Practice of the Munster Bank as to allowing interest on deposits, *Belton* 2365-2367——Great and increasing disadvantages under which the bank labours in its competition with issuing banks, *ib.* 2368-2378——Total of 1,000,000 *l.* as the subscribed capital of the bank, the paid-up capital being 350,000 *l.*, and the reserve 150,000 *l.*; *ib.* 2387, 2388——Large proportion of small deposits, the total deposits on current accounts being 2,400,000 *l.*; *ib.* 2389-2392. 2423-2425.

Way in which the sub-offices of the bank are conducted, they being open only once a week, *Belton* 2419-2422——Gradual progress of the bank since 1864; purchase of the business of three non-issuing banks, *ib.* 2426-2428. 2482-2487——Further statement as to the unequal competition of the Munster Bank with issuing banks, and as to the difficulty on this score in small towns, *ib.* 2430-2435. 2445-2452. 2465. 2479-2481. 2497-2503. 2505-2510.

Higher rate of interest on deposits allowed by the Munster Bank than by other banks, *Belton* 2467. 2662-2666——Practice of witness' bank not to allow interest on current accounts (save charitable accounts), and not to charge for keeping such accounts, though some may be unprofitable, *ib.* 2472-2474. 2516-2518. 2565-2567. 2713——Successful conduct of the business of the bank without an office in London, an agent being found sufficient, and no inconvenience arising, *ib.* 2488-2490. 2511. 2554. 2608-2616. 2624-2629. 2643-2648.

Calculation that the Munster Bank helps to increase the circulation of the Bank of Ireland by more than 300,000 *l.*; *Belton* 2519-2521——Reasons for the issue of the Bank being so much below the authorised amount, *ib.* 2525-2530. 2598. 2617-2619. 2667-2676——Very little bullion required by the bank, it not being used for general circulation, *ib.* 2658-2661——Belief that the circulation of the bank might be advantageously extended by the extension of branches,, *ib.* 2667-2776. 2684-2686.

Progressive increase in the dividends of the bank, *Belton* 2677——Estimate of about 1½ per cent. on the amount of the deposits as the cost of conducting the business, *ib.* 2678-2680——Practice of not taking deposits for fixed periods; they are all, practically, at call, *ib.* 2681-2683.

Small capital of the Munster Bank as compared with that of the Bank of Ireland, the former paying a larger dividend than the latter, *Dun* 6344, 6345. 6347-6349. 6535-6538.

N.

National Bank:

1. *Change in the original Name of the Bank.*
2. *Prohibition at first upon the Establishment of the Bank in Dublin.*
3. *Authorised and Actual Issue, and Amount of Gold held.*
4. *Extension of Branches.*
5. *Circumstances connected with the Establishment of the Bank in England, and in London more especially; Legal Opinions on the Subject.*
6. *Character of the London Business of the Bank, and Financial result thereof; discouragement of Deposits.*

1. *Change in the original Name of the Bank:*

Alteration of the name of the institution from the "National Bank of Ireland" to the "National Bank," as being a more appropriate title for a bank carrying on business in England as well as in Ireland, *Tatham* 511-513.

Report, 1875—*continued.*

NATIONAL BANK—continued.

2. *Prohibition at first upon the establishment of the Bank in Dublin:*

Obligation at first upon the bank not coming within fifty miles of Dublin, nor issuing there; exclusive privileges of the Bank of Ireland in this respect until the passing of the Act 8 & 9 Vict. c. 37, *Tatham* 517-525. 537.

3. *Authorised and Actual Issue, and the Amount of Gold held:*

Total of 852,269 *l.* as the present right of issue of the National Bank; necessity of a corresponding amount of gold at the depôts for any excess of this issue, *Tatham* 534, 535——Legal power of the bank to unite with other banks of issue, and to acquire their power of issue, *ib.* 536.

Circulation to the amount of 45 per cent. represented by notes under 5 *l.*, *Mills* 2725——The total bullion held is nearly one-half of the notes in circulation, *ib.* 2726-2730——Explanation of the regulations as to coin being held by the bank against its issues; payment of four banking licenses of 30 *l.* each on the four depôts, where the bank holds coin against the excess circulation, *ib.* 2755-2767

Limited demand for coin at the branches; minimum of 2,000 *l.* held at the small banches, *Mills* 2768-2773. 2819, 2820——Information in connection with the run upon the bank in 1857; necessity of drawing at least half a million in coin from London, *ib.* 2774-2790——Particulars relative to the authorised and actual circulation of the bank, the total liabilities, amount of bullion held, &c.; circumstance of the National Bank holding more gold and silver than any other bank in the United Kingdom, except the Bank of England, *ib.* 2801-2826. 2838-2840——Explanation as to the notes of the bank not being payable at all the branches; limited inconvenience thereby, *ib.* 2976-2987. 3010-3015.

Further statement as to the varying amount of gold held at the different branches, the minimum in any case being 2,000 *l.*; total of about 250,000 *l.* at the seventy-six branches in Ireland exclusive of the deposits, *Mills* 2999-3009.

Amount of notes in circulation on Saturday, 20th February 1875, *App.* 475——Amount of gold and silver coin held at the head office, or principal places of issue, at the close of business on each day of the week ending 20th February 1875, *ib.*

Return of the average issues of the bank in each November from 1846 to 1874, *App.* 478——Average issue of the bank in 1874, together with the proportion of actual to authorised issue, and the proportion of small and large notes, *ib.* 504.

4. *Extension of Branches:*

Large increase in the Irish branches of the National Bank, *Belton* 2377. 2633——Total of seventy-six branches of the bank in Ireland and of seven in England, with a head office in London, *Mills* 2718, 2719.

5. *Circumstances connected with the Establishment of the Bank in England, and in London more especially; Legal Opinions on the Subject:*

Intention at first to confine the operations of the bank to Ireland; enlarged action decided upon before the articles of association were settled, *Tatham* 488, 489——Commencement of business by the bank in Dublin and in London by means of an agency in each place, there being numerous branches in Ireland, and a large issue there, *ib.* 490-496——First establishment of a banking business in London in 1854, *ib.* 497.

Objection made by the Bank of England in 1853 to the National Bank commencing business in London, *Tatham* 498, 499——Removal of the objection first raised by th Bank of England that the National Bank was not established previously to May 1844, *ib.* 499——Questions submitted on the part of the National Bank in 1853 for the opinions of Sir Richard Bethell, Mr. Wordsworth, and Mr. Welch; replies to the effect that the bank could legally open an establishment in London, or within sixty-five miles thereof, *ib.* 500-505. 590. 649-655.

Case submitted by the Bank of England for the opinion of Mr. Bovill; opinion favourable to the view that the National Bank could legally carry on a banking business in London, *Tatham* 506-508——Withdrawal of the objection raised at first by the Bank of England, so that the National Bank was admitted to London and to the Clearing House, *ib.* 509, 510——Restriction previously to the Act 7 & 8 Vict. c. 113, which prevented the bank carrying on regular banking business in London, so that only a head office was kept, *ib.* 516.

Result of witness' investigations of the various Acts, that he relies upon the common law aided by the Acts 8 & 9 Vict. c. 37, and 7 & 8 Vict. c. 13, s. 47, as authorising the National Bank to carry on business in London, *Tatham* 529-532. 566 *et seq.*——Further evidence as regards the exclusion of the National Bank, and other banks of issue, from London by the Act of 1844, unless established previously to the 6th May in that year, *ib.* 538-555——Belief that in 1854 there was no opposition on the part of the Clearing House to the National Bank doing business in London, *ib.* 564, 565. 601, 602.

Practical exclusion of the bank from London but for the power of suing and being sued under the Act of 1844, *Tatham* 566, 567. 588——Explanation that by the Act

7 Geo.

NATIONAL BANK—continued.

5. *Circumstances connected with the Establishment, &c.*—continued.

7 Geo. 4, c. 26, the bank could not carry on business beyond sixty-five miles from London, and within that radius at the same time, *Tatham* 591–593. 628, 629 ——Exceptional position and claim of the National Bank under the clause in the Act of 1844, in regard to suing and being sued, *ib.* 656–659. 691–695.

Head office of the bank in London since 1854, whereas they did not enter the Clearing House till 1859; admission in that year of the legal right of the bank to establish itself in London, *Mills* 2844. 2858.

6. *Character of the London Business of the Bank, and financial result thereof; discouragement of Deposits:*

Very small deposits held by the bank in London; discouragement of such deposits on the ground mainly that the margin of profit is too small in proportion to the risk, *Mills* 2827–2834. 2877——Practice of the bank as to employing some of its Irish deposits in securities or reserves in London, but not in loans to the London public, *ib.* 2857–2865. 2881——Large increase made in the capital of the bank, on undertaking business in England, *ib.* 2866–2871——Statement as to the result of the establishment of the bank in London not having equalled the expectations of the directors; character of the business adverted to hereon, *ib.* 2872–2882——The note circulation of the bank in Ireland in no way aids the development of its London business, *ib.* 2883——Adoption of the English charges by the National Bank in its English business, *ib.* 2890.

Further statement as to the National Bank not inviting deposits in London on account of the small margin of profit; reference hereon to the large dividends of the London and Westminster Bank whose deposits are very considerable, *Mills* 2902–2917. 2921, 2922. 2955–2958. 2961. 2967——Profit of the bank on its London business, though not holding large deposits, *ib.* 2928, 2929.

National Bank of Scotland. Average amount of bank notes in circulation, and of coin held, during the four weeks ending 21st March 1874, *App.* 448——Amount of liabilities and assets under different heads, as per last annual account, *App.* 455.

Returns of the daily note circulation before and after giving effect to daily exchanges from 29th March to 24th April 1875, *App.* 456–461——Table showing the average issue in 1874, the proportion of actual to authorised issue, and the proportion of small and large notes, *ib.* 502.

Analysis of balance sheets published in 1874, showing the net profits, the per-centages of net business profits, the dividends, &c., *App.* 464.

NATIONAL PROVINCIAL BANK:

Circumstance of the National Provincial Bank having given up its issue as a condition of coming to London; Scotch banks should do likewise, *Wade* 1815–1818. 1829–1831——Practice of the bank to allow 1 per cent. less than the Bank of England rate, as interest on deposits in London, the rate at the branches varying in every part of the country, but averaging at present from 2½ to 3 per cent., *ib.* 1917–1932. 1997–1999. 2072–2077——Information relative to the number and amount of deposits over and under 300 *l.*; *ib.* 1935–1941——The per-centage of working expenses upon deposits is 1 *l.* 6 *s.*; *ib.* 1942——Probability of higher discount rates of interest if the bank lent to the same class as the Scotch banks, *ib.* 1960–1963.

Great extent to which the bank has fostered the trade of the country by means of accommodation to small tradesmen and farmers, *Wade* 1963–1965——Considerable extension of branches by the bank since its loss of issue, *ib.* 1983–1989——Hardship in the bank having had to forfeit its issue on coming to London, if the same condition does not apply to Scotch banks, *ib.* 1991–1996——Calculation that the net profits represent only 1 *l.* 1 *s.* 6 *d.* per cent. upon the deposits, *ib.* 2028, 2049–2051. 2262–2268.

Particulars relative to the reserves of the bank in proportion to the liabilities; the bullion and Bank of England notes are about 5 per cent. of the latter, *Wade and Atkinson* 2097–2122. 2237–2240. 2293——Total due by the bank on deposit receipts and current accounts; large proportion of the former at seven days' call, *ib.* 2123–2127——Total of about 13,000,000 *l.* lent by the bank to customers, excluding brokers' discounts, *Wade* 2128–2131——Dividend of 23 per cent. in 1874, *ib.* 2132——Profit at the rate of about 16 per cent. upon capital and reserves, *ib.* 2133–2135.

Establishment of branches by the bank in forty counties in England and Wales, its scale of charges varying locally, so that the bank is a fair sample of English country banking, *Wade* 2142–2145——Considerations as to the probable value of the former right of issue of the bank in comparison with the advantage of coming to London; gain on the whole by giving up the former for the latter, though this would not apply to all provincial banks, *ib.* 2149–2168——Reference to the balance at the Bank of England as part of the cash reserves, *ib.* 2237–2240.

Report, 1875—*continued.*

National Provincial Bank—continued.

Facility in conducting the London business of the bank before it had a branch in London, *Wade* 2288-2292——Special arrangement between the National Provincial Bank of England and the Union Bank of Scotland, as to the charge for the collection of cheques, *Atkinson* 2298-2304. 2328, 2329——Payment formerly of the notes of witness' bank, at all the branches, though they were legally payable only where issued, *Wade* 2321, 2322. 2324——Re-issue of the same notes by the bank, *ib.* 2325, 2326.

Wise course pursued by the National Provincial Bank in giving up its issue, though shut out from compensation, *Hodgson* 7837-7839. 7868.

Paper submitted by Mr. Wade containing various statistics relative to the bank, and showing in detail the liabilities, assets, profits, working expenses, deposits, &c., &c., *App.* 469-474.

Non-issuing Banks:

Conclusion that private as well as joint stock banks, which do not issue anywhere, may legally carry on business in London, *Stephen* 382.

Successful establishment of three non-issuing banks in Ireland, *Gairdner* 1258–1262——There are three banks of non-issue in Ireland; doubt as to these increasing the circulation of the Bank of Ireland, *Du Bedat* 3096–3098. 3155-3165. 3210, 3211——Probable explanation of the circumstance of equally good dividends being paid by some non-issuing as by issuing banks; reference hereon to the large dividends of the Belfast Bank and the Ulster Bank, *Bristow* 3558–3568. 3571–3575.

Grounds for dissenting from the inference that the successful competition of non-issuing banks in Ireland goes to prove that a similar result is feasible in Scotland, *Dun* 6339–6361. 6535–6538; *Crake* 7337-7350.

Establishment of many non-issuing banks in England since the legislation of 1844-45, in the belief that they would not be exposed to competition from Scotch banks having great privileges of issue, *Wade* 1745–1748 —— Power of English non-issuing banks, as well as of Scotch Banks, to come to London, *Readman* 3675, 3676 —— Extensive competition on the part of non-issuing banks in England, this not being feasible in Scotland, *Gordon* 4367, 4368.

Explanation that, personally, witness does not apprehend any material injury to country issuing banks in England by an extension of the privilege of issue to the non-issuing banks question whether, as a matter of public policy, such extension is desirable, *Seebohm* 4619. 4622–4634. 4657——Important distinction between the business of the small banks of issue and the large joint stock banks of non-issue, the latter chiefly fostering the system of deposits, *ib.* 4662–4693. 4710-4712——Increased disadvantages of non-issuing banks in England by assimilating the privileges of issuing banks to those of the Scotch banks, *ib.* 4957. 4966.

Belief that the privilege of issue is not regarded by the non-issuing banks as any injustice, *Rae* 5058——Reason for a non-issuing bank holding a larger proportion of gold than an issuing bank, *Palgrave* 6158-6160.

Evidence in support of the conclusion that the power of issue should be given to all non-issuing banks, whose respectability and stability can be proved to Government; anomalous and disadvantageous position at present of these banks, *Dun* 6258–6268. 6312–6332——Readiness of non-issuing banks to establish new branches; increased extension if they had a power of issue, *ib.* 6278, 6279——Grounds for the claims now put forward on the part of the non-issuing banks, though witness does not anticipate any speedy equalisation of privileges between all classes of banks, *ib.* 6432-6439——Power, doubtless, of all banks in England before 1844 to become banks of issue, whilst those since established were aware at the time that they were not entitled to the privilege, *ib.* 6473–6479——Probable facility to non-issuing banks in Ireland by the use of Bank of Ireland notes, though not equal to the advantage of an independent issue, *ib.* 6498–6500.

Great advantage of the Scotch banks over the bank represented by witness; more advantageous position also, though in a much less degree, of English provincial banks of issue, *Cooke* 6565–6569. 6576–6580. 6781, 6782.

Opinion that non-issuing banks might fairly complain of any increase of privileges to issuing banks, beyond those conceded in 1844 and 1845, *Palmer* 7528–7533.

Absence of any good ground of complaint in England by banks of non-issue as compared with banks of issue, *Bagehot* 8085——Equal pressure upon the Bank of England from non-issuing as from issuing banks in times of panic, *ib.* 8086, 8087.

See also *Extension of Issues.* *Hibernian Bank.* *Manchester and Liverpool District Bank.* *Munster Bank.* *National Provincial Bank.*

North of Scotland Banking Company. Average amount of the notes of the bank in circulation, and

Report, 1875—*continued.*

North of Scotland Banking Company—continued.

and of coin held, during the four weeks ending 21st March 1874, *App.* 448——Amount of liabilities and assets under different heads, as per last annual account, *ib.* 455.

Returns of the daily note circulation before and after giving effect to daily exchanges from 29th March to 24th April 1875, *App.* 456–461——Table showing the average issue in 1874, the proportion of actual to authorised issue, and the proportion of small and large notes, *ib.* 502.

Analysis of balance sheets published in 1874, showing the net profits, the per-centages of net business profits, the dividends, &c., *App.* 464.

North and South Wales Bank. The authorised issue of this bank is 39,951 *l.*, the issue being confined to twenty-one branches out of forty-one, *Rae* 5033–5038——The bank does not issue at Liverpool, nor does any other bank save the branch of the Bank of England, *ib.* 5039–5041. 5188–5190——The notes are paid in gold at all the branches, *ib.* 5042, 5043.

Necessary limit of the issue to twenty-one out of forty-one branches in order to avoid the penalty for over-circulation; particulars hereon as to the average issue, and the highest and lowest at different periods, *Rae* 5044–5051 —— Payment of the note of the bank at all the branches, though there, is no legal obligation to that effect, *ib.* 5193–5195——Capital of 384,000 *l.* paid up, the reserve fund being 198,000 *l.*; increase resolved upon, *ib.* 5399–5398.

Limited extent to which the restricted issue of the bank tends to keep down the number of branches; sufficient facilities in this direction without increasing the circulation, *Rae* 5399–5408.

Estimate of 3 per cent. on 100,000 *l.* as the net annual value of the note circulation of the bank, after deducting 1 per cent. for expenses and license duty; reason for estimating about 60,000 *l.* of circulation as equal to 100,000 *l.* of capital, *Rae* 5428–5432. 5453–5460.

Northern Bank of Ireland. Reference to the circulation of the Northern Bank of Ireland, and the proportion of gold held, *Mills* 2841–2843.

Value of the privilege of issue in facilitating the extension of branches by the bank, *Bristow* 3469–3473. 3515–3524——Estimate of something over 1 per cent. as the cost of issues, *ib.* 3474–3477. 3529——Practice as to the commission and charges generally of the bank for business of different kinds, *ib.* 3484–3488——Reserves kept in London; these are lying at call, *ib.* 3490. 3542. 3569, 3570. 3601——Satisfaction of witness' bank on the whole with the present regulations as to issue, *ib.* 3549–3554. 3557.

Satisfactory conduct of the London business of the Northern Bank through an agent; conclusions adverse to an independent branch so far from the centre of management, *Bristow* 3578–3600.

Return showing the average issue of the bank in each November from 1846 to 1874, *App.* 478——Average issue of the bank in 1874, together with the proportion of actual to authorised issue, and the proportion of small and large notes, *ib.* 504.

NOTE CIRCULATION:

1. *England.*
2. *Ireland.*
3. *Scotland.*
4. *United Kingdom.*
5. *Question of Scotch Notes circulating in England.*
6. *Question of Country Notes circulating in or near London.*
7. *Regulation of the Circulation by the Public Demand.*
8. *Duration of Notes.*
9. *Record of Notes of Bank of England, but not of Bank of Ireland.*
10. *Objections to a Note Circulation in England in displacement of Gold.*
11. *Lapsed Issues.*

1. *England:*

Just claim of the English banks to have the same privilege of issue as the Scotch banks, based upon the population of each country; increase of 22,000,000 *l.* of provincial note circulation in England upon this basis, greatly to the advantage of the issuing banks, *Rae* 5059–5061. 5076–5101. 5129–5133——Estimate of 31,000,000 *l.* as the aggregate note circulation in England, *ib.* 5100, 5101.

Examination as to the extent to which country banks in England could increase the note circulation, to the withdrawal of gold, if they had the privilege of a further issue of 22,000,000 *l.*; very large increase feasible in course of time, *Rae* 5196–5217.

Information in connection with Tables showing the issues of English private and joint stock banks, respectively, during the years 1844–74, and the proportion between the actual and the authorised issue, *Palgrave* 5488–5494. 5507——Increase of the circulation of the English banks by some 30,000,000 *l.* if it were in the same proportion to the

Report, 1875—*continued.*

NOTE CIRCULATION—continued.

1. *England*—continued.

population as the Scotch circulation, *Palgrave* 5692–5694——The country issues are gradually decreasing, and are becoming smaller in proportion to the total liabilities every year, *Cooke* 6570. 6747. 6780. 6856.

Annual averages of authorized and actual issues of private and joint stock banks in England and Wales in each of the years 1844–74, *App.* 485, 486.

Annual averages of total English country note circulation for the several years 1845–74, showing that the fluctuations in it from month to month recur periodically every year, *App.* 487, 488.

Averages of total English country note circulation for the ten years, 1845 to 1854, 1855 to 1864, and 1865 to 1874, and for the thirty years, 1845 to 1874, showing that the fluctuations which take place from month to month recur periodically in each year, *App.* 489.

Table showing the increase in the provincial note circulation of England in October as compared with August in each year, and the annual average provincial note circulation from 1845 to 1874, *App.* 489, 490.

Table showing the diminution in the provincial note circulation of England in August as compared with April in each year, and the annual average provincial note circulation from 1845 to 1874, *App.* 491, 492.

Annual averages of the circulation of notes of the private and joint stock banks of England and Wales, showing the proportion of the circulation in each year to that in 1844, *App.* 518.

2. *Ireland:*

Statement showing the issues of each bank in Ireland in 1864 and in 1874, the increase being considerable, and each bank, save the Bank of Ireland, issuing in excess, *Belton* 2531–2535——Belief as to the notes of all the issuing banks being payable at all the branches, *ib.* 2552, 2553. 2640–2648. 2693.

Right of issue exercised in Ireland by six banks, the total authorised issue being 6,354,494 *l.*, and the actual circulation 6,800,000 *l.*, *Mills* 2720–2724——Increase of circulation in the spring and after harvest, *ib.* 2733——Progressive increase in the total circulation since 1857; decrease previously through the famine and the large emigration, *ib.* 2734–2747——Larger circulation of 5 *l.* notes and over, than of notes under 5 *l.*, *Du Bedat* 3110–3112. 3155–3157.

Very similar fluctuations periodically in the Irish as in the Scotch note circulation; reference to Tabular Returns (*App.* 502–504) showing the annual and decennial fluctuations, *Palgrave* 5524–5526——Large diminution of population adverted to as affecting the note circulation, *ib.* 5526.

Return of the average issues of banks in Ireland in each November from 1846 to 1874, *App.* 478.

Annual averages of total Irish country note circulation for the years 1845 to 1874, showing that the fluctuations in it from month to month recur periodically in each year, *App.* 502, 503.

Averages of total Irish country note circulation for the years 1845 to 1854, 1855 to 1864, 1865 to 1874, and for thirty years, 1845 to 1874, showing that the fluctuations from month to month recur periodically in each year, *App.* 504.

3. *Scotland:*

Statement relative to the amount of notes in circulation in Scotland in 1845, 1855, 1865, and 1874; increase of 2,817,377 *l.* since 1845, *Davidson* 784–788——Very few 5 *l.* Bank of England notes received from England, *ib.* 834, 835——Information on the subject of a return of circulation of each Scotch bank, including the amount of notes in the hands of other banks, *Gairdner* 1250, 1251. 1289–1291. 1298–1302——Economy of currency under the system of the banks in not making any charge for keeping accounts and in allowing interest on the daily balances on deposit, *Davidson* 1241–1247.

Economy in the note circulation by the extension of banking facilities, *Gairdner* 1433——The largest circulation is on Saturday, *ib.* 1444——Different result shown as regards circulation by applying the same test in March and in May or November, *ib.* 1445.

Obstacles to a return showing the actual amount of the note issue of the Scotch banks, including those notes in the hands of other banks on each Friday in May 1875, *Fleming* 4055–4062. 4070–4072.

Averages of the Scotch note circulation adverted to (*App.* 500, 501), as showing that the fluctuations recur periodically in each year, *Palgrave* 5517, 5518.

Obligation upon the people of Scotland to take the existing notes, unless they demand gold; full confidence doubtless in the former, *Crake* 7351–7356.

Return

Report, 1875—*continued.*

NOTE CIRCULATION—continued.

3. *Scotland*—continued.

Return showing the authorised and actual circulation of the several Scotch banks, and the amount of coin held during the four weks ending 21st March 1874, *App.* 448.

Returns of the daily note circulation of the several Scoth banks (after and before giving effect to daily exchanges) for the four weeks from Monday, 29th March, to Saturday, 24th April 1875, inclusive, *App.* 456–461.

Annual averages of total Scotch country note circulation for the years 1845 to 1874, showing that the fluctuations in it from month to month recur periodically in each year, *App.* 500, 501.

Averages of total Scotch country note circulation for the ten years, 1845 to 1854, 1855 to 1864, 1865 to 1874, and for the thirty years, 1845 to 1874, showing that the fluctuations which take place from month to month return periodically in each year, *App.* 501.

Table showing the average issue of each Scotch bank in 1874, the proportion of actual to authorised issue, and the proportion of small and large notes in the issue of each bank, *App.* 502.

4. *United Kingdom:*

Reference to a certain Table (*App.* 485), as showing that whilst the exports and imports of the United Kingdom have increased enormously since 1844, the increase of note circulation has been comparatively small, *Palgrave* 5475–5479——Actual decrease of note circulation in 1873, as compared with 1872 or 1874, *ib.* 5477——Conclusion as to the note circulation not being in any way regulated by the general business of the country, *ib.* 5478, 5479——Much smaller proportion of the note circulation to the gold circulation at the present time than in 1844 or 1857, *ib.* 5485.

Information relative to the preparation of a Table (*App.* 507) showing the annual averages of the total circulation of the United Kingdom, the proportion issued against gold, the proportion not so issued, and the fluctuations for each ten years since 1844, and for the thirty years since 1844, *Palgrave* 5531—— Total of 14,266,000 *l.* issued against gold in June 1874, and of 29,313,000 *l.* not so issued, *ib.*

Statistics in detail, as submitted by Mr. Inglis Palgrave, *App.* 483 *et seq.*

Table showing the exports and imports of the United Kingdom in 1844, and in each of the years 1868–74, the amounts passed through the London Clearing House, and the total bank note circulation of all the issuing banks in the United Kingdom, *App.* 485.

Annual averages of total circulation of the United Kingdom for the years 1845 to 1874, showing the total circulation, the proportion issued against gold, the proportion not so issued, and the monthly fluctuations under these three heads; increased fluctuations in the portion issued against gold, *App.* 507.

Averages of the total note circulation of the United Kingdom, showing the proportion issued against gold, the proportion not so issued, and the fluctuations in the same for the ten years, 1845 to 1854, 1855 to 1864, 1865 to 1874, and the thirty years, 1845 to 1874, *App.* 517.

Annual average of the total note circulation of England and Wales, of Scotland, and of Ireland, for each year since 1844; also the proportion of the circulation in each year to that in 1844, *App.* 518.

Annual averages for 1844 to 1874 of the amounts of circulation of the United Kingdom issued against gold, and the amounts not so issued; also, the proportions of the same to their amounts in 1844, and the per-centage each proportion bears to the total annual average circulation, *App.* 520.

5. *Question of Scotch Notes circulating in England:*

Small extent to which notes issued in Scotland are cashed in England; charge of 2 *d.* for cashing each 1 *l.* note, *Fleming* 19–27——Violation of the policy of the Act of 1844 if Scotch banks in London might promote the circulation of their own notes, *Sir H. Thring* 480–482——Belief that the circulation is confined to Scotland, and does not extend to the north of England, *Gairdner* 1310–1313.

Grounds for concluding that Scotch notes would be more likely to circulate in the provinces than in London, *Wade* 2000–2007. 2066–2068——Profit derived by the Scotch banks from the circulation, such circulation increasing as the banks come more into England, *Gordon* 3999–4003. 4044–4049——Tendency to the circulation of Scotch notes in England by the introduction of Scotch banks, *Dun* 6204.

6. *Question of Country Notes circulating in or near London:*

Improbability of country issues circulating in or near London, *Wade* 2294–2297—— Probability of local issues circulating to some extent within sixty-five miles of London, if the banks might come within that radius, *Seebohm* 4800–4803.

Report, 1875—*continued.*

NOTE CIRCULATION—continued.

7. *Regulation of the Circulation by the Public Demand:*

Advantage to witness' bank if it could reduce its circulation, this, however, depending entirely on the demand of the public, *Readman* 3777–3779——Sufficiency of the present English issues for the public, as the supply depends entirely on the public demand, *Palgrave* 6090–6092——Impossibility of forcing local issues beyond the natural requirements of the public, *Dun* 6280, 6281. 6425.

8. *Duration of Notes.*

Average of from five to eight years as the duration of notes, *Davidson* 1225.

9. *Record of Notes of Bank of England, but not of Bank of Ireland:*

Statement as to the Irish banks not keeping a record or registry of the notes which pass through their hands, *Du Bedat* 3266–3271——Valuable record at the Bank of England in the case of 5 *l.* notes; security in their not being re-issued, *Palmer* 7490.

10. *Objections to a Note Circulation in England in displacement of Gold:*

Conclusion as to the impolicy of substituting a paper circulation in England for the sake of the interest to be saved in respect of the gold circulation, *Seebohm* 4813–4822——Concurrence in the view as to the advantages of a gold circulation rather than a note circulation in England, *Smith* 6899. 6909–6922. 7014–7017; *Palmer and Hodgson* 7523–7527. 7587. 7801–7804. 7923. 7930.

11. *Lapsed Issues:*

Table showing the number of banks whose issues have lapsed, from different causes, and the total amount in each case; aggregate of 2,125,488 *l.*; *App.* 553.

See also *Averages. Bank of England*, I, 3. *Bank of Ireland*, 1. *Bank of Scotland. Berwick-upon-Tweed. Branch Banks. Cheques. Clydesdale Banking Company*, 3. *Country Banks* (*Local Issues*). *Cumberland. Excess of Authorised Issues. Exchanges of Notes. Extension of Issues. Gold and Silver Coin. Ireland. Legal Tender. License Duty. Lost Notes. One Pound Notes. Security for Issues. Scotch Banks. State Issues. Surrender of Issues.*

Number of Banks (*England*). Total number of issuing and of non-issuing banks in England, distinguishing between private and joint stock banks, *Dun* 6254, 6255.

O.

ONE POUND NOTES:

I. *England:*

1. Prohibition of 1 *l.* Notes in England.
2. Total Circulation in 1821, when Small Notes were Abolished.
3. Objections on various Grounds to a Re-issue of 1 *l.* Notes.
4. Degree of Objection on the Score of Forgery; actual Amount of Forgery in Scotland and Ireland, and formerly in England.
5. Evidence favourable to the Re-introduction of Small Notes, if carefully carried out.
6. Circulation anticipated if Scotch Banks be established in England.

II. *Scotland.*

III. *Ireland.*

IV. *Contemplated centres of Issue for Ireland and Scotland, if the Issues were transferred to the Bank of England.*

I. *England:*

1. Prohibition of 1 *l.* Notes in England:

Power of the Scotch banks between 1826 and 1828 to issue 1 *l.* notes in England as well as notes of 5 *l.* and upwards; prohibition by the Act of 1828 of issues under 5 *l.*, *Fleming* 84. 97——Penalty of 20 *l.* attaching to the cashing in England of every 1 *l.* note issued in Scotland or Ireland, *Stephen* 265–269——Circumstance of there being a prohibition in an Act of Geo. 4 upon the circulation of Irish 1 *l.* notes in London, *Tatham* 677–685——First abolition of 1 *l.* notes in England by Acts in 1775 and 1777, the people of the country being now habituated to a gold currency, *Seebohm* 4767. 4909–4912.

2. Total Circulation in 1821, when Small Notes were Abolished:

Maximum circulation of 1 *l.* notes in England to the amount of 6,700,000 *l.* in 1821, when the small notes were made illegal, *Hodgson* 7689.

3. Objections

Report, 1875—*continued.*

ONE POUND NOTES—continued.

I. *England*—continued.

3. Objections on various Grounds to a Re-issue of 1 *l.* Notes.

Deprecation of an enlarged issue of 1 *l.* notes in England, though a convenience to the banks; effect thereof in intensifying panics, *Gordon* 3948–3951. 3992–3998. 4054——Benefit to bankers in England, to the prejudice of the general public, if they had an unlimited issue of 1 *l.* notes against gold, *ib.* 4147–4154——Belief that an unlimited issue of 1 *l.* notes in England would lay the foundation for such a panic as England has never seen, *ib.* 4149.

Argument in further support of the conclusion that though 1 *l.* notes are a safe issue under the Scotch system, the sudden introduction of a similar issue into England would probably have disastrous results, *Gordon* 4315–4319. 4420–4426——Public advantages doubtless of a 1 *l.* note circulation, though these are outweighed by the advantages of a gold circulation, *ib.* 4560–4563.

Objection upon grounds of public policy to the issue of 1 *l.* notes in England; inadequate compensation for a paper circulation by saving the loss of interest on the gold circulation, *Seebohm* 4766–4772. 4813–4822——Danger of a foreign drain in time of war if there were a 1 *l.* note issue, *ib.* 4768——Exception taken to an issue of 1 *l.* notes in England upon the same principle as in Scotland in respect of gold being held, *ib.* 4842–4844.

Inexpediency of introducing 1 *l.* notes into England, or of withdrawing them from Scotland, *Rae* 5062. 5065——Interference with the gold currency and increased liability to panic, if there were a large issue of 1 *l.* notes, *ib.* 5170. 5218–5228——Greater facility of driving out gold by means of 1 *l.* notes than 5 *l.* notes, it being inexpedient, however, to issue the former in England, *ib.* 5218–5228. 5231——Conclusion that the effect of a large issue of 1 *l.* notes in England would be to drive an equal amount of gold from the country, *ib.* 5411–5416.

Belief that if English banks could issue 1 *l.* notes they could largely increase their circulation, *Palgrave* 5522. 5646——Strong deprecation of an issue of small notes in England; effect thereof in unduly displacing gold, and in encouraging forgery, *ib.* 5551, 5552. 5666–5664. 5729–5764——Calculation as to the greater cost of a small note circulation than of the wear and tear of gold displaced thereby, *ib.* 5657–5660.

Conclusion further expressed as to the facility of a very large circulation of 1 *l.* notes in England, *Palgrave* 5695——Way in which the displacement of a large quantity of gold by 1 *l.* notes would probably be very injurious, *ib.* 5753–5764——Probable displacement of 25,000,000 *l.* or 30,000,000 *l.* in gold, if there were a full issue of 1 *l.* notes in England, *ib.* 6002–6005——Further objection to any increase of country issues and displacement of gold by means of small notes, *ib.* 6044, 6045. 6128–6130.

Strong deprecation of a local issue of 1 *l.* notes in England; less objection if they were issued against gold, *Cooke* 6610–6619.

Witness strongly objects to a re-issue of 1 *l.* notes in England, *Palmer* 7489. 7587–7601——Effect of an issue of 1 *l.* notes to displace from circulation an immense quantity of gold; grounds for objection on this score, *ib.* 7489. 7591–7601——Much greater cost of issue in the case of 1 *l.* notes than 5 *l.* notes, *ib.* 7580, 7581——Increased difficulty also in the registration of 1 *l.* notes for purposes of reference, *Hodgson* 7582–7585.

Strong feeling on the part of the Bank of England against any increase of the paper circulation by a supplemental issue of 1 *l.* notes, *Palmer and Hodgson* 7931–7933.

4. Degree of Objection on the Score of Forgery; actual Amount of Forgery in Scotland and Ireland, and formerly in England:

Slight weight attached to the objection to 1 *l.* notes in England on the score of forgery or of panic, *Wade* 2285–2287——Exceedingly rare instances of forgery of 1 *l.* notes in Ireland, *Du Bedat* 3398.

Objection to an issue of 1 *l.* notes in England on the score of liability to forgery, *Gordon* 4101–4106——Greater liability to forgery in the case of a 1 *l.* note issue than of a higher issue, *Seebohm* 4593——Much less ready detection of forgery if there were a central issue of 1 *l.* notes in England than under the Scotch system, *ib.* 4955, 4956.

Grounds for the statement that an extensive circulation of 1 *l.* notes in England would involve great risk of forgery, *Palgrave* 5649–5652. 5705–5709. 5731–5752——Consideration of objections to the view that a large circulation of 1 *l.* notes in England would probably induce much forgery, though there may be none in Ireland or Scotland, *ib.* 5731–5752.

Improbability of any extensive forgery of 1 *l.* notes in England, *Dun* 6270——Greater liability to forgery in the case of 1 *l.* notes issued by the Bank of England than of local issues, *Cooke* 6613, 6614.

Objection on the score of forgery; much greater risk of forgery in the case of 1 *l.* notes than of 5 *l.* notes, *Palmer* 7489, 7490. 7551–7575——Belief as to forgeries being checked

ONE POUND NOTES—continued.

I. *England*—continued.

4. Degree of Objection on the Score of Forgery; &c.—*continued.*

in Scotland by the system of exchanges; impression also (shown to be erroneous) as to the Scotch banks paying their forged notes, *Palmer* 7491, 7492. 7494–7504. 7588–7590 ——Great difficulty of examination if there were a national issue of 1 *l.* notes for the whole country, 7505–7507.

Careful examination in the Bank of England for the detection of forged notes; great increase of staff necessary if there were an issue of 1 *l.* notes, *Hodgson* 7579, 7580—— Less risk of forgery of 1 *l.* notes when issued locally, *Palmer* 7816, 7817.

Return showing the forgeries presented at the Bank of England in the case of 1 *l.* notes and upwards in each year since 1806, *App.* 550, 551.

5. Evidence favourable to the Re-introduction of Small Notes, if carefully carried out:

Inference as to the advantage in England by applying the same principles of small note circulation as in Scotland, *Gairdner* 1607——Explanation that witness does not object to an issue of 1 *l.* notes in England, *Wade* 2242, 2243. 2284–2287. 2319, 2320 ——Expectation that the English people would after a time accommodate themselves to a 1 *l.* note circulation, *ib.* 2319.

Opinion that 1 *l.* notes in England had not sufficient trial, and were withdrawn through misapprehension; inexpediency, however, of any sudden re-introduction of them, *Dun* 6269. 6282–6301——Prospect, by an extension of country issues, of the re-introduction of 1 *l.* notes in course of years, *ib.* 6283–6289——Very little use of a State issue of 1 *l.* notes, *ib.* 6291–6294—— Improbability of the public in England readily taking 1 *l.* notes, though they are generally taken in Scotland, *ib.* 6295–6300.

Displacement of gold in England if there were a local issue of under 5 *l.*; opinion that this would be advantageous rather than otherwise if the notes were secured and if the change were carefully carried out, *Bagehot* 8012–8017. 8027–8033——Doubt as to the expediency of issuing for lower sums than 1 *l.*, *ib.* 8034–8036——Non-objection further expressed as regards a 1 *l.* note circulation in England if properly secured, *ib.* 8226–8228.

6. Circulation anticipated if Scotch Banks be established in England:

Belief as to the impracticability of preventing the circulation of 1 *l.* notes in England if branches be introduced by the Scotch banks; expediency of such prevention in view of the present state of the law, *Wade* 1752–1755. 1835–1846——Expected circulation of 1 *l.* notes in England if Scotch branches be established, *Smith* 6896, 6897.

II. *Scotland:*

Decrease, since 1845, in the per-centage of 1 *l.* notes in Scotland as compared with larger notes, *Davidson* 789, 790.

Intention in 1826 to abolish 1 *l.* notes in Scotland as well as England; strong opposition in Scotland, so that they were still allowed in that country, *Stephen* 218. 285–291.

Explanation that witness is not prepared to state off-hand the degree of importance attached by the banks to the privilege of issuing 1 *l.* notes, *Gairdner* 944–951—— Grounds for the conclusion that the issue of 1 *l.* notes is of the utmost importance as regards not only the currency and the banking system of Scotland, but as regards the interests of the public at large, *Davidson* 952.

Obstacles to the maintenance of so many branches if the 1 *l.* note circulation were withdrawn, *Gairdner* 1285, 1286——Great confidence of the people of Scotland in the small notes, which are much preferred to sovereigns, *ib.* 1303–1309——Special importance attached to 1 *l.* notes, *ib.* 1434–1436.

Conclusion as to the profit derivable from increased issues of 1 *l.* notes, notwithstanding the obligation as to holding gold, *Gordon* 4140–4146——Examination upon the question of there having been any run upon Scotch banks for payment of 1 *l.* notes during former panics, *ib.* 4107–4125.

Data for the conclusion that the Scotch banks are indebted to their small notes for their very large circulation, *Palgrave* 5519–5522——Benefit to the people of Scotland by the small note circulation, whilst the burden of maintaining the gold reserve is thrown upon England, *Smith* 6898–6901——Great advantage of the 1 *l.* note circulation to the Scotch banks, whereas England bears the burden of maintaining the gold reserve, *Crake* 7308–7312.

III. *Ireland:*

Preference of the people of Ireland for 1 *l.* notes as compared with sovereigns, *Belton* 2440——Use chiefly of small notes in the payment of large amounts in wages, *ib.* 2475 ——Great importance attached to the maintenance of the 1 *l.* note circulation, *ib.* 2562–2564–

ONE POUND NOTES—continued.

III. *Ireland*—continued.

2564——Explanation that witness is strongly opposed to a withdrawal of issues of 1 *l.* notes in Ireland, but submits that all banks should have the same privileges, *Belton* 2649-2657——Demand of traders and farmers chiefly for the smaller notes, *Mills* 2732. 2750-2754.

Advantage of the 1 *l.* note circulation to the people, whilst there is a large saving of interest in there not being a gold calculation, *Du Bedat* 3134, 3135. 3315-3317. 3412-3415——Disastrous effect of a withdrawal of the 1 *l.* notes, *ib.* 3315-3317. 3396, 3397. 3415—— Great value of the local issue of 1 *l.* notes in Ulster; depreciation of any substitution of a gold circulation, *Bristow* 3453-3455. 3530, 3531.

Conclusion that but for the small notes the circulation in Ireland would be much below the authorised issue, *Palgrave* 5527, 5528.

Proportionate issue of small and large notes in the case of each of the Irish banks in 1874, *App.* 504.

IV. *Contemplated Centres of Issue for Ireland and Scotland, if the Issues were transferred to the Bank of England:*

Contemplated issue of small notes by the Bank of England from centres at Dublin and Edinburgh if the Irish and Scotch issues were abolished, *Palmer* 7443-7445.

Further statement as to the necessity of centres of issue at Edinburgh and Dublin if 1 *l.* notes were issued by Government for Scotland and Ireland; witness however declines to make any recommendation on this point, *Palmer* 7493. 7707-7710.

Oriental Bank. Independent rates and terms of the Oriental Bank at its branches in Scotland; competition thereby with the other banks for deposits, *Gairdner* 934-943—— Lengthened periods for which deposits must be lodged with the Oriental Bank and with colonial banks in Scotland, *ib.* 1293, 1294.

P.

Palgrave, Robert Harry Inglis. (Analysis of his Evidence.)—Represents Messrs. Gurney & Co., of Great Yarmouth; on the part of the English issuing country bankers is prepared to supply statistics and information in detail to the present Committee, 5473, 5474——With regard to Messrs. Gurney & Co., their authorised issue is 261,109 *l.*, distributed between Norwich, Lynn, Wisbech, and Yarmouth, 5473.

Reference to a certain Table (*App.* 485) as showing that whilst the exports and imports of the United Kingdom have increased enormously since 1844, the increase of note circulation has been comparatively small, 5475-5479——Actual decrease of note circulation in 1873 as compared with 1872 or 1874; 5477——Conclusion as to the note circulation not being in any way regulated by the general business of the country, 5478, 5479.

Explanation in connection with an estimate by Mr. Hendriks (*App.* 547) in which the gold in circulation in the United Kingdom in 1875 is computed at 100,000,000 *l.*; 5480, 5481——Estimate by Mr. Hendriks (*App.* 547) of 225,000,000 *l.* as the gold circulation of France, Italy, Belgium, and other countries which have signified their adhesion to the Monetary Treaty of 1865; 5480——Grounds upon which Mr. Hendriks deducts sixty per cent. from the total coinage in England and Australia since 1817, in order to arrive at the actual circulation of 100,000,000 *l.*; concurrence of witness in this calculation, 5481-5484. 5486, 5487.

Much smaller proportion of the note circulation to the gold circulation at the present time than in 1844 or 1857; 5485——Information in connection with Tables (*App.* 486, 487) showing the issues of English private and joint stock banks, respectively, during the years 1844-74, and the proportion between the actual and the authorised issue, 5488-5494——Reference to certain Tables (*App.* 487-492) as showing that the provincial issues fluctuate considerably during the year, 5495-5501.

Data in support of the conclusion that the large diminution in the country note circulation at particular periods is due entirely to the decreased demands of trade, 5500-5503——Necessary employment of a much larger amount of the notes of the Bank of England if the country bankers could not issue their own notes; illustration of this in the case of the Yarmouth herring fishery, 5504-5506.

[Second Examination.]—Reference to a Tabular Return (*App.* 493-499) of private and joint stock issuing banks in England and Wales, showing in each case the authorised and actual issues, and the proportion of the latter to the former, 5507——Great variation shown by the foregoing Return in the proportion of actual to authorised issue, this depending largely upon the locality; much larger proportion of actual issue beyond the sixty-five miles radius, 5508-5510.

Report, 1875—*continued.*

Palgrave, Robert Harry Inglis. (Analysis of his Evidence)—*continued.*

Grounds for the conclusion that short circulation has no influence whatever as regards the deposits of any bank; numerous instances of immense increase in the proportion of the latter to the former, 5511–5516——Statistics showing the very strong position of the English provincial banks as regards the proportion of their capital and reserves to their total liabilities; returns from fifty-nine banks cited in illustration, 5512, 5513——Effect of note issues by any bank in leading to deposits, 5516. 5610–5617.

Averages of the Scotch note circulation adverted to (*App.* 500, 501) as showing that the fluctuations recur periodically in each year, 5517, 5518——Data for the conclusion that the Scotch banks are indebted to their small notes for their very large circulation, 5519–5522——Belief that if English banks could issue 1 *l.* notes they could largely increase their circulation, 5522. 5646——Advantage of the power of amalgamation in the case of Scotch banks, 5523.

Very similar fluctuations periodically in the Irish as in the Scotch note circulation; reference to Tabular returns (*App.* 502–504) showing the annual and decennial fluctuations, 5524–5526——Large diminution of population in Ireland adverted to as affecting the note circulation, 5526——Conclusion that but for the small notes the circulation in Ireland would be much below the authorised issue, 5527, 5528.

Tables submitted (*App.* 505, 506) showing in detail the average circulation of the Bank of England, annually and decennially, since 1844, and the periodical fluctuations therein, 5529, 5530——Explanation in connection with Table (*App.* 518) showing the provincial as distinguished from the metropolitan circulation of the Bank of England in each year since 1844; 5530.

Information relative to the preparation of a Table (*App.* 507) showing the annual averages of the total circulation of the United Kingdom, the proportion issued against gold, the proportion not so issued, and the fluctuations for each ten years since 1844; and for the thirty years since 1844; 5531——Total of 14,266,000 *l.* issued against gold in January 1874, and of 29,313,000 *l.* not so issued, *ib.*——Reference to Table (*App.* 518) as showing that since 1844 the Bank of England provincial circulation has largely taken the place of that of the provincial banks of issue, 5531. 5544.

Evidence showing that the fluctuations in the Bank of England rate of discount are increased by the fluctuations of the provincial and Scotch and Irish circulations, and that the rate is periodically enhanced by the periodical demand for gold in Scotland and Ireland, 5531–5538——Great increase chiefly since 1860 in the deposits of the English country banks, 5531——Progressive increase in the Bank of England rate in decennial periods since 1844, in the months of May and November, 5533. 5538——Authority of Mr. Weguelin cited as showing the periodical demand from Scotland and Ireland upon the Bank of England reserves, 5534, 5535.

Conclusion that if the provincial circulation were abolished and centralised in the Bank of England the fluctuations in the demand upon the Bank reserve and the fluctuations in the rate of discount would be increased and augmented, 5539. 5544. 5722, 5723——Prejudicial effect upon the interests of the country at large if the country circulation were abolished, 5540. 5544–5546.

Grounds for the understanding of the English country bankers, when the Act of 1844 was passed, that their privileges of issue would not be interfered with; reference hereon to the evidence of Mr. Rodwell before the Select Committee of 1858 upon the Bank Acts, as showing the views of Sir Robert Peel in 1844; 5541. 5575–5585——Provisions of the Act 19 & 20 Vict. c. 20, as well as of the Act of 1844, considered with reference to the question of permanency of provincial issues, 5541. 5582–5591——Reference to a Paper by Mr. Freshfield in 1858, stating that the provisions of the Act of 1844 are not for the benefit of the note-holders, but for ascertaining the limit of issue, 5542.

Statement of the deposits and capital of the London joint stock banks in 1844 and 1875; immense increase of deposits, 5543——Better position of country bankers, by reason of the power of issue, to offer advantageous terms to the public, 5546——Local and exceptional circumstances which account for the exceedingly small issue of some banks, and the very full issue of others, in proportion to their authorised issue; reference especially to the effect of changes in the mode of payment of wages, 5547–5551——Strong deprecation of an issue of small notes in England; effect thereof in unduly displacing gold, and in encouraging forgery, 5551, 5552. 5646–5664. 5729–5764.

Respects in which the substitution of Bank of England notes for the notes of local banks in the provinces would operate much to the inconvenience of the public, whilst it would enhance the local demand upon the Bank of England reserves, 5553–5574——Probability of considerable fluctuation in the circulation of some country banks which are usually close up to their authorised issue; such fluctuations are doubtless met by Bank of England notes and coin, 5566–5574——More valuable privilege of the right of issue of English banks if they could sell and transfer the right to other banks, 5574–5581.

Examination

Report, 1875—*continued.*

Palgrave, Robert Harry Inglis. (Analysis of his Evidence)—*continued.*

Examination as regards the question of security for issues, to the effect that this might involve much difficulty and hardship in the case of banks whose actual issues in proportion to their authorised issues are very small, 5592–5605. 5618–5633——Unwillingness of banks to part with their rights of issue, though exercised only to a limited extent, 5602–5605. 5631–5633. 5667–5669——Doubt as to banks being prepared to find security if allowed to issue in excess of their authorised issue, 5606, 5607——Great difficulty in valuing the right of issue; important value indirectly as well as directly, 5608–5617. 5631–5633. 5670–5694.

Right of Messrs. Gurney & Co. to come to London, whereas English joint stock banks of issue have not this privilege, 5634–5640. 5665, 5666——Inferior position of English banks of issue to Scotch banks, inasmuch as they cannot issue in excess against gold, 5641–5645. 5667–5669. 5692–5694. 5727——Grounds for the statement that an extensive circulation of 1 *l.* notes in England would involve great risk of forgery, 5649–5652. 5705–5709. 5731–5752——Calculations as to the greater cost of a small note circulation than of the wear and tear of gold displaced thereby, 5657–5660.

Evidence showing the great value of the privileges of the Scotch banks, more especially of the excess of issue when a bank has numerous branches, 5670–5691——Advantage also to Scotch banks in not being obliged to pay their notes at all their branches, 5678. 5710–5715——Increase of the circulation of the English banks by some 30,000,000 *l.* if it were in the same proportion to the population as the Scotch circulation, 5692–5694——Conclusion further expressed as to the facility of a very large circulation of 1 *l.* notes in England, 5695.

Great value attached by witness' firm to the country clearing as established some fifteen years ago; loss, at the utmost, of one day in using the country clearing instead of sending a cheque direct by post, 5696–5701. 5716——Legality of the country clearing, 5701—— Circumstance of no commission being charged on cheques passed through the clearing house, 5702——Advantage, doubtless, in cases of competition, where a bank can make charges of 1 *s.* or 2 *s.* per cent., 5703, 5704. 5765, 5766.

Strong deprecation by Sir Robert Peel in 1845 of the introduction of the Scotch system of banking into England, 5715——Circumstance of the West-end bankers in London not having joined the clearing house, 5717–5721.

Twofold increase of pressure upon the reserve of the Bank of England if the provincial note issues were withdrawn, 5722, 5723——Advantage to the public as well as the country banks if the issues were nearer the authorised amounts, 5724, 5725——Value further attached to the Scotch privilege of amalgamation, as well as of over-issue against gold, 5726–5728.

Consideration of objections to the view that a large circulation of 1 *l.* notes in England would probably induce much forgery, though there may be none in Ireland or Scotland, 5731–5752——Way in which the displacement of a large quantity of gold by 1 *l.* notes would probably be very injurious, 5753–5764——Reluctance of witness to specify in detail the charges made by his bank, 5767, 5768.

Further examination upon the question of security for issues, witness repeating that the matter is a very difficult one, and that he is not prepared to make any suggestions on the subject, 5769–5787.

[Third Examination.]—Four distinct partnerships in Messrs. Gurney & Co's. firm, each bank or partnership issuing separately, and making up separate accounts, which the head office combines, 5788–5799. 6095–6099——Impression that there are six partners in each of the four banks, 5800–5802——General information as to the terms upon which the business of the firm is conducted; belief that the charges and allowances to customers are more favourable than in the case of the Scotch banks, 5803–5805.

Approval of the principle of publicity as applied to banking business; doubt, however, as to any public advantage by publishing the accounts of private banks, 5806–5808. 6167—— Other causes than that of any want of public confidence which account for the issues of country banks in England being so much short of the authorised amount, 5808, 5809——Numerous English banks included in a return showing that the capital and reserves are in the proportion of 18 per cent. of the total liabilities, the proportion in the case of the Scotch banks being under 16 per cent. 5810–5812. 5837——Much smaller proportion of capital and reserves in the case of the London joint stock banks than of the Scotch banks, 5812, 5813. 5838, 5839.

Explanation that witness does not mean to imply that the Scotch banks do not conduct their business on as sound a system as the English banks, 5814. 5837——Quotation from a speech of Sir Robert Peel in June 1845 testifying to the excellent conduct of the Scotch banks, and submitting that Scotland should bear its fair share in maintaining a gold currency; main object of this speech adverted to, 5814–5822——Admission that the proportion of notes issued without a gold basis is larger in England and Wales, in reference to the population, than in Scotland, 5823–5832——Larger amount of gold held

Report, 1875—*continued.*

Palgrave, Robert Harry Inglis. (Analysis of his Evidence)—*continued.*

held in Scotland than is required merely to meet the excess of note circulation; other duty, however, discharged by the gold, 5832–5836.

Explanations in connection with certain statements by Sir Robert Peel in 1844 relative to the numerous bankruptcies of English country and private banks in previous years, and the large proportion which paid no dividend; difficulty in procuring reliable information on this subject, 5840–5860——Belief as to the comparatively few failures of Scotch banks, the creditors, moreover, having always been paid in full, 5857–5864. 6121——Much larger proportion of bankruptcies generally in England than in Scotland; advantage of the Scotch banks on this score, 5865–5874. 5885, 5886.

Further statement as to the expediency of full power in English banks to amalgamate, though amalgamation may be carried too far, 5875–5884——Belief that generally in England, as in Scotland, the banks discount only those bills which they believe to be perfectly good; uniform charge of witness' firm for discounting, 5887–5900.

Opinion that it is not desirable to exclude colonial banks of issue from London, 5901——Further objection, however, to the competition in London or in England of Scotch banks on account of their unduly favourable position through the issue of 1 *l.* notes, 5902–5909. 5953, 5954. 5960–5973——Probability of the Scotch banks not bringing more capital to London than at present, nor doing business more cheaply than the London banks; expediency, however, of competition on unequal terms, 5907–5909. 5960–5973——Convenience probably to the Scotch banks in having branches in London, 5910–5914.

Statistics and details in further support of the estimate of 100,000,000 *l.* as the amount of gold coinage now circulating in Great Britain and Ireland, 5915–5923——Local instances of the much larger increase of gold circulation than of note circulation, 5928–5933. 5952——Grounds for the assumption that the circulating medium in Scotland (including notes and gold) is as much as 9,000,000 *l.* or about 2 *l.* 15 *s.* a head, and that the amount in England is 95,000,000 *l.*, or about 4 *l.* a head, 5934–5952——Data for the conclusion that, in proportion to the wealth of the two countries, the circulation in England is considerably smaller than in Scotland, 5939. 5943–5945——Calculation that the gold circulating in England is about 67,000,000 *l.*, 5950–5952.

Belief as to the very small business of the Clydesdale Bank at its branches in the North of England, 5955——Conclusion that all provincial private banks of issue in England may come to London, if there are not more than six partners; circumstance of the London banks having no apprehension on this score, 5955–5959. 5974–5976——Legal difficulty in the way of English joint stock banks of issue opening branches in London in the names of a few shareholders, under a separate agreement, 5975–5978.

Advantage, doubtless, to the Scotch people by reason of the numerous branches under the present banking system, 5979–5981——Adherence of witness to a statement in his "Notes on Banking" that the small margin of profits of the Scotch banks is the main explanation of the non-establishment of new banks, 5982–5984——Value of the note circulation in Scotland in facilitating the extension of branches, 5985.

Numerous branches of witness' firm, notes being issued at all of them, 5986–5989——Very strong position of the English country banks under the present system, 5990——Improvement if there were no restriction upon amalgamation, and if the banks could issue against gold, 5991–5995. 6164——Difficulties in the way of security for issues further adverted to; if security be required, amalgamation in its fullest sense should first be allowed, 5996–5998.

Further statement as to the coincidence between the Scotch demand for gold and the periodical increase of the bank rate of discount, 5999–6001. 6020–6023. 6046, 6047——Probable displacement of 25,000,000 *l.* or 30,000,000 *l.* in gold if there were a full issue of 1 *l.* notes in England, 6002–6005——Careful consideration desirable before requiring private banks to publish their accounts, 6006——Heavy tax now imposed upon issues in England; question whether this could be increased, 6007–6010.

Practice of some banks, but not of Messrs. Gurney & Co., to mark Bank of England notes issued by them; effect as regards liability, 6011–6014——Several respects in which country banks benefit by issuing their own notes instead of those of the Bank of England, 6015, 6016. 6053–6055——Advantage to the local public in England and in Scotland by the issues of the different banks, 6017, 6018——Impolicy of withdrawing any of the privileges of the Scotch banks, 6019——Argument that there is already plenty of banking competition in England, to the benefit of the public, and that Scotch banks should not be allowed to come in on unequal terms, 6024–6034. 6056, 6057. 6102.

Reference to the decrease in the note circulation of the English provincial banks as not in any way the result of want of confidence; great increase of deposits adverted to hereon, 6035–6037—— Further statement as to the beneficial effect of the country issues, in so far as they lessen the pressure of the Bank of England, and thus indirectly check fluctuations in the rate of discount, 6038–6043——Objection, however, to any increase of country

Report, 1875—*continued.*

Palgrave, Robert Harry Inglis. (Analysis of his Evidence)—*continued.*

country issues and displacement of gold by means of small notes, 6044, 6045. 6128–6130——Effect, doubtless, of the withdrawal of deposits from the Bank of England upon the bank reserve and the rate of discount, 6046–6052.

Belief as to the larger proportion of unpaid-up capital in English than Scotch banks; security thereby, 6058–6063——Much greater expenses in the working of bankruptcies in England than in Scotland, 6064-6066——Further statement as to the sound position of banks in England and Wales by reason of the large proportion of capital and reserves; mode of investment of the assets adverted to, 6067–6076.

Much better position of the holder of a Bank of England note than of a Scotch note as regards the question of claim upon the State, 6077-6085——Facility in the conduct of banking business, to the benefit of the public, by means of note issues, 6086–6089——Sufficiency of the present English issues for the public, as the supply depends entirely on the public demand, 6090-6092.

Explanations as to the right of amalgamation of private banks of issue in England, without losing their privileges of issue; reference especially to the case of Messrs. Gurney & Co., 6093-6101——Necessary discontinuance of any Scotch bank which parted with its circulation, 6103——Modification to some extent of the published views of witness as to the value of the note circulation to the Scotch banks; conclusion that no English bank without similar privileges could possibly compete in Scotland, 6104-6111. 6126——Belief that Scotch banks in England would not induce any beneficial competition, 6112, 6113.

Further statement as to the very small proportion of gold in Scotland as compared with England, 6114–6118—— Inclusion, doubtless, of Scotch firms among the bankruptcies in England, 6119, 6120——Reference to the motive assigned by Mr. Fleming for the advent of his bank to London, 6122——Investigation of a calculation by Mr. Gairdner as to the relative charges and profits of Scotch and English banks; unreliable character of certain data for the conclusions arrived at, 6124, 6125——Necessity of Scotch banks altering the rate allowed to depositors if the privilege of issue were withdrawn, 6126.

Reluctance of witness to offer any opinion upon the question of excluding from London those Scotch banks already established there, 6127——Advantage of the local issues of provincial banks further adverted to, more especially in reference to the fluctuations in the demand upon the Bank of England reserves, 6131–6144——Improvement if the averages were spread over a longer period in Scotland and Ireland, 6145-6147——More valuable privileges of the Scotch than the English banks of issue, on the grouud mainly of the small note issue, 6148, 6149.

Respects in which there is no analogy between a Scotch bank coming to London and an English bank going to Scotland, 6150-6156——Belief that the capital and deposits have increased in about the same proportion in the case of private banks in England as of joint stock banks, 6157——Reasons for a non-issuing bank holding a larger proportion of gold than an issuing bank, 6158–6160——Much larger amount in gold and Bank of England notes held by banks of issue in this country than is represented by their issues, 6161.

Statement as to the notes of the Bank of Prussia, or Bank of France not being a legal tender, 6162——Information relative to the banking system of Sweden; its advantages in several respects, 6163.

Obstacle to an assimilation of the banking law of England, Ireland, and Scotland, on account of the objection to 1 *l.* notes in England, 6164——Assimilation contemplated as regards gold being made the only legal tender in the payment of provincial notes in England, *ib.*——Approval of assimilation in the matter of license duties, *ib.*

Estimate of about 60,000,000 *l.* as the amount of foreign bills floating in this country yearly; advantage of some means for increasing the amount, 6165——Conclusion as to the Bank of England rate being regulated with reference exclusively to the proportion between reserve and liabilities, 6166——Very little information really given in the published accounts of banks, 6167.

[Fourth Examination.] Official publication annually of the names of the partners in witness' firm, 6168——Net profit of the London and County Bank in 1874 at the rate of 1 *l.* 4 *s.* 1 *d.* per cent. on its working resources, as against 1 *l.* 7 *s.* 1 *d.* per cent. in the case of the Bank of Scotland, 6168, 6169.

Palgrave, R. H. Inglis. Papers submitted by Mr. Inglis Palgrave in elucidation of his evidence on various points, and showing in detail the note circulation of the United Kingdom for each year since 1844; *App.* 483 *et seq.*

Palmer, Edward Howley. See *Hodgson, Kirkman Daniel, and Edward Howley Palmer.*

Palmer, Sir Roundell. Opinion of Sir Roundell Palmer in 1855 as to the legality of the course contemplated by the Clydesdale Banking Company in coming to London, *App.* 482.

Report, 1875—*continued.*

Panics. Exemption hitherto of the Scotch banks from any discredit which may have arisen as regards London banks in times of panic in London, *Fleming* 1714–1716.

Exemption of country districts from decennial panics under the present system of regulated issues; expected derangement if the note circulation were exclusively that of the Bank of England with its liability to fluctation, *Rae* 5054——Probable withdrawal of deposits in country districts if traders could not in time of panic obtain the same facilities as under the present system of local issue, *ib.*——Way in which the substitution of Bank of England notes for country notes would operate in increasing the pressure and fluctuations in times of panic, *ib.* 5114–5125. 5156–5160.

Increased strain upon the circulating medium in times of panic, *Dun* 6490–6492——Conclusion as to issues being a source of danger to provincial banks in times of commercial distress, *Cooke* 6571, 6572——Universal discredit of private issues in England during the pressure of 1825; *ib.* 6610. 6764——Illustration in the case of witness' bank of the increase of deposits in times of panic or commercial disaster, *ib.* 6766.

Slight extent to which there is any greater risk in the case of issuing than of non-issuing banks in times of panic, *Bagehot* 8002–8005. 8165–8167——Tendency to the mitigation of panics if the local circulation were specially covered by a deposit of adequate securities, *ib.* 8006–8011.

Consideration of the respective action of joint stock banks in London and of the Bank of England as regards discounts in times of panic or pressure; obligation upon the latter as well as the former to continue discounting, *Bagehot* 8045–8050. 8170. 8194–8197——Pressure of the Scotch banks, but also of English and Irish banks, upon the Bank of England in times of panic, *ib.* 8121–8126.

See also *One Pound Notes*, I., 3.

Parr's Banking Company. This is not a bank of issue, *Dun* 6172——The bank has eleven daily branches and six sub-branches open for one or more days in the week *ib.* 6173——Ample amount of gold held by the bank for ordinary requirements, *ib.* 6376–6378——Explanation of the practice of the bank in charging commission, and in allowing interest upon the daily balances of current accounts, *ib.* 6447–6452.

Payment of Wages. Necessity of provincial banks in England keeping much coin for the payment of wages, *Wade* 2038–2041——Use of half soverigns and silver in the payment of wages in Ireland, *Mills* 2748, 2749. 2753——Preference of the people of Ireland for 1 *l.* notes rather than sovereigns in the payment of wages over that amount, *ib.* 2899–2901——Advantage of an extension of local issues in large towns; convenience as regards the payment of wages, *Seebohm* 4873–4878. 4882, 4883——Large stock of gold and silver necessarily kept by witness' bank for the payment of wages, *Cooke* 6816–6818. 6820–6822.

Peel, Sir Robert (the late). Statement by Sir Robert Peel in 1844 that separate legislation was in contemplation as regards Scotland, *Fleming* 175——Dissent from the inference that Sir Robert Peel and Lord Althorpe in their discussions upon the Bill of 1833, clearly contemplated the exclusion from London of Scotch banks of issue, *Tatham* 746–749——Grounds for the conclusion that Sir Robert Peel distinctly contemplated the Scotch banks being confined to Scotland, *Wade* 1970–1975; *Gordon* 4357, 4358. 4542——Irregularities between different banks in England in 1844; this not having been dealt with by Sir R. Peel, *Gordon* 4364–4366.

Witness took an active part in reference to the legislation of 1844, and is confident that Sir Robert Peel never intended that the Scotch banks should be free to come to London; this was the feeling at the time of English bankers generally, *Hon. A. L. Melville* 4970–4974.

Strong deprecation by Sir Robert Peel in 1845 of the introduction of the Scotch system of banking into England, *Palgrave* 5715——Views expressed by Sir Robert Peel in April 1845, as to the great value of the privileges of the Scoth and Irish banks of issue, *ib.*—— Quotation from a speech of Sir Robert Peel in June 1845, testifying to the excellent conduct of the Scotch banks, and submitting that Scotland should bear its fair share in maintaining a gold currency; main object of this speech adverted to, *ib.* 5814–5822.

Belief as to Sir Robert Peel having considered one bank of issue the right principle, *Dun* 6240. 6263; *Cooke* 6573. 6609——Nature of Sir Robert Peel's objections to private issues; grounds for concluding that his apprehensions were not well founded, *ib.* 6242–6246——Due regard expressed by Sir Robert Peel in 1844 for existing rights, though he anticipated a gradual elimination of country issues, *ib.* 6480–6483.

Opinion that Sir Robert Peel intended that the exclusion from an area of sixty-five miles round the metropolis should apply to Scotch as well as English issuing banks, *Palmer* 7532, 7533.

Penalties. Witness is not aware that the cashing or transfer of 1 *l.* notes in England involves liability to a penalty, *Fleming* 181, 182——Penalty of 20 *l.* attaching to the cashing in England of every 1 *l.* note issued in Scotland or Ireland, *Stephen* 265–269——Further

Penalties—continued.

——Further statement as to the illegality of cashing or negotiating any Scotch or Irish notes under 5 *l.* in London, *Stephen* 339-343. 346-348. 378. 383. 384——Liability to penalties further adverted to as a subject very little understood, *ib.* 378, 379.

Opinion that the penalty in the Act of 1828, as to the negotiation, &c., in England of notes under 5 *l.* was intended merely to stop the circulation of such notes, *Sir H. Thring* 453.

Prices. Belief that the note circulation has no effect whatever upon prices; effect of increased prices in enhancing the circulation, *Dun* 6329–6331.

Private Banks:

Doubt whether private banks of issue in Scotland are debarred by law from carrying on deposit business in England, *Stephen* 380, 381——Very few private banks in Ireland, these being confined to Dublin, *Du Bedat* 3094, 3095——Legal power of private banks of issue to come to London, *Seebohm* 4646——Probable advantage in some cases if private issuing banks might convert themselves into joint stock banks, without forfeiting their right of issue, *ib.* 4647–4649——Exception further taken to the restriction upon private banks of issue converting themselves into joint stock companies, *ib.* 4786, 4787.

Explanation in connection with the main provisions of the Bank Issue Bill of 1865 and the causes of the failure of the Bill; that is, as regards issuing banks with more than six partners being allowed to come to London, *Seebohm* 4790–4797——Contemplated removal of the restriction whereby a joint stock bank cannot purchase and add to its own the issue of a private bank, *Rae* 5068–5074.

Right of Messrs. Gurney & Co. to come to London, whereas English joint stock banks of issue have not this privilege, *Palgrave* 5634–5640. 5665, 5666——Conclusion that all provincial private banks of issue in England may come to London if there are not more than six partners; circumstance of the London banks having no apprehension on this score, *ib.* 5955–5959. 5974–5976——Belief that the capital and deposits have increased in about the same proportion in the case of private banks in England as of joint stock banks, *ib.* 6157.

Contemplated exclusion of English private banks of issue from London, though their competition would not be nearly so unfair as that of the Scotch banks, *Smith* 6975–6979. 7010–7013——Approval of the present restrictions upon private banks of issue as regards their conversion into joint stock companies, *Palmer* 7481——Exception taken to the prohibition upon the sale of private bank issues, *Bagehot* 8167.

Annual averages of authorised and actual issues of private banks in England and Wales, in each of the years 1844–74, *App.* 486.

Names of the different private banks of issue in England and Wales, with the authorised and actual issues in each case, *App.* 493–499.

See also *Abolition of Local Issues. Accounts. Country Banks. Extension of Issues. Gurney & Co. Non-issuing Banks.*

Profits (Scotch and English Systems of Banking):

1. *Calculations submitted by Mr. Gairdner as to the much higher Profits of English than Scotch Banks.*
2. *Exceptions taken to the foregoing Conclusions.*
3. *Statistics of Net Profits, &c.*

1. *Calculations submitted by Mr. Gairdner as to the much higher Profits of English than Scotch Banks:*

Examination to the effect that the average net profit of the Scotch banks in 1874 upon the paid-up capital was at the rate of 9 *l.* – *s.* 8 *d.* per cent., plus four per cent., upon the capital and reserve; explanation of the mode of arriving at this result, *Davidson* 838–869. 1129–1131.

Total of 9,697,000 *l.* as the capital of the Scotch banks, the net profits in 1874 having averaged 8 *l.* 9 *s.* 6 *d.* per cent. after deducting four per cent. upon the capital and reserve, *Gairdner* 871–894——Reference to the "Economist" newspaper as supplying the foregoing information in the case both of English and Scotch banks; belief that the figures are correct, *ib.* 872, 873——Explanation of the principle upon which the deduction of four per cent. is made; practice of the Bank of England in this respect, *ib.* 881–890.

Probable dividend of about fifteen per cent. of the Scotch banks, represented by the total net profits, including the four per cent. deduction, *Gairdner* 883–898——Margin of 1 *l.* 1 *s.* 11 *d.* per cent. as the net banking profit upon the amount of cash deposits of all the Scotch banks in 1873 and 1874, *ib.* 898–907——Margin of 1 *l.* 6 *s.* 3 *d.* in 1873 and of 1 *l.* 1 *s.* 8 *d.* in 1874, in the case of the eleven London joint stock banks; that is, as the per-centage of net profits upon the deposits, *ib.* 907——Much larger per-centage of capital and reserve profits to cash deposits in the case of the Scotch banks than of the London joint stock banks, *ib.* 908.

Report, 1875—*continued.*

PROFITS (SCOTCH AND ENGLISH SYSTEMS OF BANKING)—continued.

Calculations submitted by Mr. Gairdner as to the much higher Profits, &c.—cont[d].

Per-centage of 11 *l.* 1 *s.* 10 *d.* as the net business profit borne to the capital of the London banks in 1874, the per-centage in the case of the Scotch banks being 8 *l.* 19 *s.* 6 *d.*, *Gairdner* 912——Reference to the balance-sheets of twenty-one English provincial banks as showing an average per-centage of profit of 1 *l.* 13 *s.* 2 *d.* upon their cash deposits, *ib.*——Excess profit of 17 *s.* 5 *d.* per cent. of ten English provincial banks of issue beyond the per-centage of the Scotch banks; large total represented by this difference, *ib.* 913——Allowance made for bad debts, as well as for all expenses, in arriving at the foregoing results; effect, doubtless, of the former upon the per-centage of profits, *ib.* 914–916.

Selection by witness (for the purposes of comparison) of the balance-sheets of English provincial banks whose liabilities exceeded a million and a half, *Gairdner* 918——Fairness of the comparison as judged by the amount of deposits in each case, *ib.*——Data for the estimate of 1,125,000 *l.* as the amount represented by the excess margin of profit of all the English provincial banks as compared with the Scotch banks, *ib.* 919——Similar principle applied in calculating the average profit of Scotch banks as of English banks, *ib.* 1266–1269.

Consideration of certain calculations purporting to show that the gross per-centage profit of the Scotch banks is higher than that of the London joint stock banks; fairness of comparison rather with the provincial banks, *Gairdner* 1362–1368——Impression that the banks declare their profits before writing off to the building account, &c., *ib.* 1371, 1372.

Further statement as to the adoption of the same principle in applying certain calculations as to the relative margin of profit of Scotch banks and of English provincial banks, *Gairdner* 1642–1646——Examination as to the effect of the commission business upon the calculations of profit, and as to the amount of such business in the case of English and Scotch banks respectively, in relation to the amount of deposits, *ib.* 1656–1671.

Examination upon the question whether a certain calculation is not fallacious which purports to show the per-centage of profits of Scotch and English banks according to the deposits, *Readman* 3720–3738.

Paper handed in by Mr. Gairdner, contrasting the results of banking in Scotland, London, and provincial England, *App.* 465——Estimate of loss that would accrue to the people of Scotland by adoption of the English margin of banking profit, *ib.* 466——Estimate of gain to the people of provincial England by adopting the Scotch margin of banking profit, *ib.*

2. *Exceptions taken to the foregoing Conclusions:*

Conclusion as to the inaccuracy of the calculation that the banking profits were 17 *s.* 5 *d.* per cent. higher in England than in Scotland, and that the adoption of the Scotch system in England would be equivalent to a gain of 1,125,000 *l.* a year to the public, *Wade* 2028–2032. 2049–2052.

Varying profits of banks, though the amount of business done may not vary, *Gordon* 4471, 4472——Fallacious character of any return of the profits of banks as based upon the deposits after expenses are charged, *ib.* 4495–4501.

Utterly fallacious character of Mr. Gairdner's estimate that the profits of the English provincial banks are 1,000,000 *l.* more than the profits would be under the Scotch system; very deceptive and inconclusive data upon which the estimate is founded, *Rae* 5144–5149——Main objection to Mr. Gairdner's estimate, on the ground that it is made after deducting expenses, instead of before, *ib.* 5145.

Investigation of the calculations by Mr. Gairdner as to the relative charges and profits of Scotch and English banks; unreliable character of certain data for the conclusion arrived at, *Palgrave* 6124, 6125.

Consideration of Mr. Gairdner's estimate that 1,000,000 *l.* a year would be saved to the public in England under the Scotch system of charges; conclusion as to this calculation being utterly unreliable and fallacious, *Dun* 6194–6201——Very satisfactory dividends of the Scotch banks, *ib.* 6395, 6396.

Calculations purporting to show the entire fallacy of the test applied by Mr. Gairdner in arriving at the relative charges of Scotch and English banks; great variation in the per-centages of profits, *Cooke* 6636–6639.

Fallacy of testing the respective merits of Scotch and English banking by the per-centage profit upon the cash deposits; this test is quite inapplicable to re-discounting banks, *Bagehot* 7977, 7978.

3. *Statistics of Net Profits, &c.;*

Analysis of balance sheets of the London joint stock banks for 1874, showing the liabilities, net profits, &c., *App.* 462——Similar analysis in the case of sundry provincial banks of issue and non-issue, *ib.* 463.

Analysis

Report, 1875—*continued.*

Profits (Scotch and English Systems on Banking)—continued.

3. *Statistics of Net Profits, &c.*—continued.

Analysis of balance sheets of the several Scotch banks, showing the net profits, &c., contrasted with corresponding results of London and English provincial banks, *App.* 464.

See also *Deposits. London and County Bank. Rates and Charges. Working Expenses.*

Provincial Bank of Ireland. Exclusively Irish business carried on by the Provincial Bank of Ireland; belief that it could legally come to London but for its constitution, *Tatham* 526–528. 611–622.

The Provincial Bank of Ireland has an agency in London, *Fitzgerald* 2337; *Mills* 2889——The bank does not draw nor pay drafts in London, *Belton* 2338——Absence of increased issue since 1864, in the case of the Provincial Bank, *ib.* 2377. 2633, 2634.

Return showing the average issue of the bank in each November from 1846 to 1874, *App.* 478——Average issue of the bank in 1874, together with the proportion of actual to authorised issue, and the proportion of small and large notes, *ib.* 504.

Provincial or Country Banks (Local Issues). See *Country Banks, &c.*

Public, The:

Disadvantage to the English people through there being much less facility of deposit than in Scotland, *Fleming* 1349–1351——Great loss to individual banks in Scotland if their note circulation were withdrawn, such loss reacting on the public, *Gairdner* 1628, 1629——Very serious loss to the public in Scotland by a withdrawal of the authorised issues; gain, on the other hand, to the banks by doubling the issues, *Fleming* 1629–1636——Confidence of the people of Scotland in the banks through the absence of losses, *ib.* 1688——Decided approval of the movement to London by the Scotch mercantile community, *ib.* 1712, 1713.

Belief that the English public would not be benefited by the competition of Scotch banks, whilst the English banks would be injured by the inequality of the competition, *Wade* 1884–1889——Advantage to the public in Scotland as well as to the banks under the system of unlimited issue, *ib.* 1904–1906——Payment by the people of Scotland of the subsidy represented by the privileges of the banks, *ib.* 2229–2232——Probable disadvantage to the public eventually by extending the Scotch monopoly into England, *ib.* 2235, 2236.

Equal facility to the public whether a bank of issue or of non-issue is established, *Belton* 2453–2455. 2496——Additional profit of witness' bank rather than advantage to the public, if it possessed rights of issue, *ib.* 2497–2563. 2622, 2623.

Perfect confidence of the public in the Scotch banks, whereas some English banks opened in Scotland have failed, *Readman* 3839. 3845——Probable injury to the people of Scotland if the banks were restricted from issuing, and were indemnified for the loss, *Gordon* 4312–4314——Belief that in the long run the Scotch monopoly must be injurious to the public interest, *ib.* 4557.

Serious loss to the public if all country issues were withdrawn, *Seebohm* 4578 *et seq.*; *Dun* 6274, 6275; *Bagehot* 7999–8001. 8177–8188——Regard had by witness to the interests of the public as well as of English banks in opposing the introduction of Scotch banks, unless without powers of issue, *Rae* 5293–5301——Gain to English banks if they could largely increase their capital by means of enlarged note issues, whereas the public would be prejudiced as the gold basis would be weakened, *ib.* 5391–5395. 5404. 5408.

Advantage to the public as well as the country banks if the issues in England were nearer the authorised amounts, *Palgrave* 5724, 5725——Advantage, doubtless, to the Scotch people by reason of the numerous branches under the present banking system, *ib.* 5979–5981——Advantage to the local public in England and in Scotland by the issues of the different banks, *ib.* 6017, 6018.

Belief that the English public would not be benefited by the introduction of Scotch banks into this country, *Smith* 6905——Witness submits that the competition of the Scotch banks in England would be contrary in the long run to the public interest, though they might transact certain business more favourably for the public, *Crake* 7306. 7357–7365.

Statistics as to the comparative working of the English, Scotch, and Irish systems of banking, respectively, and the amount of accommodation which they afford to the public, *App.* 559.

See also *Banking Facilities. Branch Banks. Country Banks. Deposits. One Pound Notes. Profits. Rates and Charges. Trade.*

Publication of Accounts. See *Accounts.*

Report, 1875—*continued.*

Rae, George. (Analysis of his Evidence.)—Is deputy chairman of the Issuers' Committee of the Association of English Country Bankers: is also chairman of the North and South Wales Bank, 5031, 5032——The authorised issue of this bank is 63,951 *l.*, the issue being confined to twenty-one branches out of forty-one, 5033-5038——The bank does not issue at Liverpool, nor does any other bank, save the branch of the Bank of England, 5039–5041. 5188–5190——The notes of witness' bank are paid in gold at all the branches, 5042, 5043.

Necessary limit of the issue to twenty-one out of forty-one branches in order to avoid the penalty for over-circulation; particulars hereon as to the average issue and the highest and lowest at different periods, 5044-5051——Result of recent inquiries as to the relative value attached locally to the notes of the bank and to Bank of England notes; conclusion as to the expediency of retaining the country issues, 5052–5054.

Value of the issues of the country banks in not being subject to great and irregular fluctuations in the reserve of gold in the issue department of the Bank of England, 5054——Exemption of country districts from decennial panics under the present system of regulated issues; expected derangement if the note circulation were exclusively that of the Bank of England with its liability to fluctuation, *ib.*——Probable withdrawal of deposits in country districts if traders could not in time of panic obtain the same facilities as under the present system of local issue, *ib.*

Numerous additional banks established in England in the last twenty years, the priviliges of the banks of issue not interfering with competition, 5055-5057——Belief that the privilege of issue is not regarded by the non-issuing banks as any injustice. 5058——Just claim of the English banks to have the same privilege of issue as the Scotch banks, based upon the population of each country; increase of 22,000,000 *l.* of provincial note circulation in England upon this basis, greatly to the advantage of the issuing banks, 5059–5061. 5076–5101. 5129–5133——Inexpediency however of introducing 1 *l.* notes into England, or of withdrawing them from Scotland, 5062. 5065.

Advocacy of adherence to the main principles of the Act of 1844, though some detailed amendments might be made, 5063, 5064. 5067-5075——Opinion that Mr. Goschen's Bill is the only practicable solution of the difficulty under consideration; its effect being to place all privileged banks in England, Scotland, and Ireland on precisely the same footing, 5066. 5111.

Illustration of the difficulty of giving security for issues, 5067——Approval of a suggestion that the issues of all banks be a first charge or lien upon the estates of the issuers, 5067, 5068——Advantage if the averages of circulation were taken over six months instead of one month, 5068——Contemplated removal of the restriction whereby a joint stock bank cannot purchase and add to its own the issue of a private bank, 5068-5074.

Circulation, doubtless, in the provinces of a large number of Bank of England notes issued in London, the provincial issue being 9,000,000 *l.*, 5089-5099——Estimate of 31,000,000 *l.* as the aggregate note circulation in England, 5100, 5101——Argument in support of the conclusion that Scotch banks with all their privileges of issue should not be allowed to establish branches in England, and thus to compete with English banks having no such privileges; illustration to this effect, 5102–5113. 5150–5154.

Undue advantage of the Scotch banks over the English banks on account of the issues of the former supplying them with capital at a very low rate of interest, 5105. 5129–5133——Way in which the substitution of Bank of England notes for country notes would operate in increasing the pressure and fluctuations in times of panic, 5114–5125. 5156–5160——Very complete banking competition in England, branches being open wherever they are required, 5126–5128.

Unfairness in English banks bearing the burden of a large coin reserve whilst the Scotch notes have the advantages of a large note circulation, 5134–5138. 5155——Loss of only one day in passing cheques through the country clearing as compared with direct clearing in London, 5139, 5140——Collection by the English banks through the country clearing free of charge, whilst on cheques sent to Scotland a commission is charged by the Scotch banks, 5141–5143.

Utterly fallacious character of Mr. Gairdner's estimate that the profits of the English provincial banks are 1,000,000 *l.* more than the profits would be under the Scotch system; very deceptive and inconclusive data upon which this estimate is founded, 5144-5149——Inaccuracy of a statement that all the Scotch banks charge and allow the same rates to their customers, 5145——Main objection to Mr. Gairdner's estimate on the ground that it is made after deducting expenses, instead of before, *ib.*

Restrictions of the Bank of England, and other reasons which have militated against new banks in England, being banks of issue, 5161-5168. 5185–5187——Inexpediency as regards the public interests of any extension of the credit system in the form of bank notes; that is, in view of the immense amount of bank deposits practically payable on demand, 5169——Objections to small notes in England; interference with the gold currency, and increased liability to panics, if there were a large issue of 1 *l.* notes, 5170. 5218-5228.

Pecuniary

Report, 1875—*continued.*

Rae, George. (Analysis of his Evidence)—*continued.*

Pecuniary advantage to English banks if allowed to issue against gold, as in Scotland; disadvantage however as interfering with the Act of 1844; 5171, 5172——Grounds for the suggestion that if security be required for issues the best plan would be to make the circulation a first charge upon the assets, 5173-5184.

Nature of the arrangements with the Bank of England, and the concession as regards discount rates, which have induced the joint stock banks at Liverpool to confine their issues to Bank of England notes, 5185-5192——Payment of the notes of the North and South Wales Bank at all the branches, though there is no legal obligation to that effect, 5193-5195.

Examination as to the extent to which country banks in England could increase the note circulation, to the withdrawal of gold, if they had the privilege of a further issue of 22,000,000 *l.*; very large increase feasible in course of time, 5196-5217——Greater facility of driving out gold by means of 1 *l.* notes than 5 *l.* notes, it being inexpedient however to issue the former in England, 5218-5228. 5231.

Conclusion that it is better to place the Scotch banks on the same level and footing as the English banks, than to raise the latter to the level of the former, 5229-5231. 5337-5345. 5348-5368——Comparative unimportance of the detailed amendments suggested by witness in the Act of 1844; 5232-5235——Approval of some regulation being provided for securing the note issues, 5236-5239.

Particulars relative to the practice of witness' bank at Liverpool, and of other joint stock banks there, in regard to commission and other charges to customers in respect of the summation of accounts, and of over-drawn accounts, &c., 5240-5285. 5333-5336. 5369-5390. 5463-5465. 5472——Willingness of the Liverpool banks to conduct business and to open accounts on the terms of the London banks; reference hereon to certain alleged restrictions in connection with payments for cotton, 5268-5285. 5369-5387——Other assets besides gold which would be available as security for the note circulation, 5286-5289.

Objection to private banks being under the same obligation as joint stock banks with respect to the publication of accounts, 5290-5292——Regard had by witness to the interests of the public as well as of English banks in opposing the introduction of Scotch banks, unless without powers of issue, 5293-5301——Mischief caused eventually when money is too cheap, and when there is an excess of loanable capital, 5298-5301.

Grounds for the estimate that whilst the note circulation of England has only increased from 29,000,000 *l.* to 31,000,000 *l.* since 1844, the gold circulation has increased from 30,000,000 *l.* or 35,000,000 *l.* to about 100,000,000 *l.*; 5302-5313——Tendency of increased banking facilities to diminish circulation, 5309-5311——Belief that every legitimate accommodation is given by the English banks, though the banking offices are much fewer in proportion than in Scotland, 5314-5319. 5351——Equal facilities to depositors in England as in Scotland; greater competition, however, in Scotland for deposits, in so far as the banking offices are more numerous, 5316-5319. 5352-5367. 5423-5425.

Difficulty in accounting for the very small gold circulation in Scotland as compared with England, 5320-5323. 5451, 5452——Impression that the Act of 1844 was intended as a final measure in respect of the currency privileges of the Bank of England and of other banks in England and Scotland respectively, 5324-5326——Improbability of panics being increased if the notes of banks were a first charge upon the assets; reference hereon to the case of the Western Bank of Scotland, 5327-5332.

Opinion that Scotch banks should be excluded from London as well as from the English provinces, unless they gave up their power of issue, 5337-5345——Want of analogy between colonial banks and Scotch banks as regards the question of competition with English banks, 5346, 5347. 5417, 5418. 5461, 5462——Small amount in the Post Office Savings Bank in Scotland as compared with England, owing probably to the large amount of deposits in the Scotch banks, 5355-5365.

Explanation on the subject of discount operations in Liverpool, witness disputing the suggestion that discounts are driven away by the commission charges of the banks, 5369-5387. 5426, 5427——Gain to English banks if they could largely increase their capital by means of enlarged note issues, whereas the public would be prejudiced as the gold basis would be weakened, 5391-5395. 5404. 5408.

Capital of 384,000 *l.* paid up in the North and South Wales Bank, the reserve fund being 198,000 *l.*; increase resolved upon, 5396-5398——Limited extent to which the restricted issue of the bank tends to keep down the number of branches; sufficient facilities in this direction without increasing the circulation, 5399-5408——Satisfaction of the non-issuing banks at Liverpool with the present system, the issuing banks not asking for any enlargement of their privileges, 5409, 5410.

Conclusion that the effect of a large issue of 1 *l.* notes in England would be to drive an equal amount of gold from the country, 5411-5416——Due regard to be had to the rights and privileges of other banks in considering the question of admitting the Scotch

Report, 1875—*continued.*

Rae, George. (Analysis of his Evidence)—*continued.*

or colonial banks to England on general economical grounds, 5417–5419——Tendency of increased local issues to take the place of Bank of England notes to some extent, 5422.

Estimate of three per cent. on 100,000 *l.* as the net annual value of the note circulation of witness' bank after deducting one per cent. for expenses and license duty; reason for estimating about 60,000 *l.* of circulation as equal to 100,000 *l.* of capital, 5428–5432. 5453–5460——Less reason for objecting to the competition of Scotch banks if they first sold their right of issue, though the proceeds would doubtless facilitate competition; less value of the circulation to sell than to use, 5433–5450——Average of thirteen and two-fifths as the net profit per cent. upon the capital of all the Liverpool banks in 1874; profit of seventeen and a quarter per cent. divided by the North and South Wales Bank, 5466–5471.

Rate of Discount. See *Bank of England,* II, 2. *Rates and Charges.* *Scotland,* 7.

RATES AND CHARGES:

1. *Particulars as to the Rates and Charges in Scotland; common Action of all the Banks.*
2. *Explanations on the part of English Banks; Denial that the Scotch Banks act more liberally.*
3. *Practice of Scotch Banks in charging for the Collection and Remittance of Cheques; Facility on this score in England.*
4. *Rates and Charges of Banks in Ireland.*

1. *Particulars as to the Rates and Charges in Scotland; common Action of all the Banks:*

Common action of the Scotch banks as to the rate of discount, the rates allowed on deposits, &c.; they are, however, independent of each other, *Fleming* 10–13. 51, 52. 396——Agreement between all the Scotch banks as to a tariff of rates and charges, there being nevertheless a keen competition for business, *Gairdner* 928–933——Practice as to the managers of the banks meeting at Edinburgh when there are changes in the Bank of England rate, in order to regulate joint rates and charges, *Davidson* 1097–1100. 1197–1203.

Way in which the system of joint and uniform rates conduces greatly to the advantage of the public as well as of the banks, *Davidson* 1101–1115——Very moderate profits and dividends under the system of uniformity of rates, *ib.* 1107–1111——Equal rates in the case of large and small customers, whilst no charge is made for keeping accounts, *ib.* 1173–1175——Exceptional instances of advances to traders without security, *ib.* 1176, 1177——Simple interest allowed on deposits, the amount not being added by the Bank to the deposit receipt, *ib.* 1229–1232.

Regulation of the rate for discounts in Scotland by the Bank of England rate, a minimum being applied to all classes of customers, *Gairdner* 1270–1278——Circumstance of the Scotch banks dispensing with a very large amount of profits through doing business on more favourable terms to the public than are given by English banks, *ib.* 1328–1343. 1345–1348.

Decidedly more liberal terms of the banks in Scotland than of the English banks, *Fleming* 1341–1343——Statement that a higher charge for accommodation would not necessarily result in a higher rate for deposits, *ib.* 1348.

Further details relative to the charges made by Scotch banks, in comparison with those of English banks, *Gairdner* 1377–1384. 1386–1390. 1398–1402; *Fleming* 1384, 1385. 1390——Usual practice of allowing 1 per cent below the bank rate on deposits, *Gairdner* 1402——Different practice of Scotch and English banks as to making the account operative when lending on securities, *ib.* 1504–1506——Higher rate of interest obtainable in England than in Scotland upon loans for harbours and local improvements, *Fleming* 1568.

Paper explanatory of the arrangements agreed to on the part of the Scotch banks relative to the rates of interest on money lodged, the rates on advances on current accounts, the rates of discount and commission on bills, the charges for negociating documents payable on demand, the charges for granting drafts and making transfers by advice, &c. &c, *App* 453, 454.

Averages of Scotch rates of interest and of discount rates in each of the years 1870-74, *App.* 468.

2. *Explanations on the part of English Banks; Denial that the Scotch Banks act more liberally:*

Information relative to the charges and the allowances made by the National Provincial Bank and by English joint-stock banks generally as compared with those of Scotch banks; denial that the latter treat their customers more liberally, *Atkinson* 1775–1778. 1780–1808. 1851–1871——Dissent from the statements that Scotch banks are more liberal

Report, 1875—*continued.*

RATES AND CHARGES—continued.

2. *Explanations on the part of English Banks; &c.*—continued.

liberal to the public than the English banks, *Wade* 1779——Obstacle to any return from witness' bank showing the rates of discount charged to customers; facility of such returns by Scotch banks, *ib.* 1930-1934——Further evidence explanatory of the commission and other charges of English banks, and of the practice as to allowance of interest on current accounts as well as on deposits, *Atkinson and Wade* 2042–2045. 2053–2065. 2070–2083.

Impossibility and inexpediency of a system of uniform charges in England without reference to the more or less risky character of the business done, as well as to local circumstances, and the law of supply and demand, *Seebohm* 4735, 4736. 4806–4812. 4833–4836 —— Practice of banks in England as well as of Scotch banks to allow interest on deposits and on current accounts; illustrations in the case of witness' bank, *Hon. A. L. Melville* 4975——Inaccuracy of a statement that all the Scotch banks charge and allow the same rates to their customers, *Rae* 5145.

Belief that generally in England, as in Scotland, the banks discount only those bills which they believe to be perfectly good; uniform charge of witness' firm for discounting, *Palgrave* 5887–5900——Necessity of Scotch banks altering the rate allowed to depositors, if the privilege of issue were withdrawn, *ib.* 6126.

Former experience of witness for about fifteen years in the Bank of Scotland, which he left in 1865; result of this experience that the Scotch banks gave more advantages to their customers than they have given since the reduction in the number of banks, and the increase of branches, *Dun* 6188-6190. 6333–6336——Power of the English banks to greatly reduce their charges, if they had the same privileges of issue as the Scotch banks, *ib.* 6191–6193. 6200, 6201——Irksome system of the Scotch banks in levying numerous charges to customers across the counter; advantage of the English system of half-yearly charge, *ib.* 6212, 6213. 6443-6445.

Circumstance of some Glasgow bills having formerly been discounted at lower rates in London than by the Scotch banks, *Dun* 6360. 6464——Respects in which the agreement among Scotch banks as to minimum rates operates disadvantageously to the public, or would probably do so but for the competition of the banks as to accommodation, *ib.* 6389–6394——Small charges in some cases, and higher in others, of the Scotch than the English banks, *ib.* 6446, 6447.

Doubt as to Scotch banks conducting their business on cheaper terms than English banks, *Cooke* 6602, 6603 —— Explanation of the practice respectively of issuing and non-issuing banks in England, as to charging their customers a commission upon all withdrawals from their accounts; that is, when such accounts carry interest, *ib.* 6836–6850.

3. *Practice of Scotch Banks in charging for the Collection and Remittance of Cheques; Facility on this score in England:*

Explanation of the practice of the Scotch banks as to charging commission for cashing drafts, and remitting money under different circumstances, *Gairdner* 1150-1163 —— Belief as to the greater liberality of Scotch banks in the matter of commission for the collection of cheques, *ib.* 1480. 1487–1494. 1509–1515.

Considerable sum paid to Scotch banks as commission on cheques and bills sent to Scotland by English banks, *Wade* 1758–1761——Explanation relative to the commission charged by Scotch banks to English banks for collecting cheques and bills in Scotland, whereas Scotch banks can collect in England through the country clearing free of charge, *Wade and Atkinson* 2246–2256.

Statement to the effect that as regards the cashing by any bank of cheques on other banks, special facilities are given by country banks of issue, *Seebohm* 4709, 4710—— Evidence as to the important advantage of Scotch over English banks, on account of the monopoly of the former enabling them to charge for collection of all cheques drawn upon Scotland, whereas in England cheques are collected through the clearing-house without charge, *ib.* 4717–4732——Comment upon the practice in Scotland of charging differently for the collection of cheques according to the distance of the town upon which they are drawn, *ib.* 4737.

Particulars relative to the heavy charge for the remittance, recently, of a sum of 10,350 *l.* from the Royal Bank of Scotland in Edinburgh, to a customer of witness' bank in London; alternative modes of remittance offered by the Royal Bank, and amount of charge in each case, *Hon. A. L. Melville* 4975, 4976. 4983-5001. 5017. 5022——Illustration on the other hand of the facility in the remittance and collection of cheques in England free of charge, *ib.* 4975, 4976 —— Charge made by witness' bank to customers, for remitting money, whereas the Scotch banks charge the holder of the cheque, *ib.* 4976. 4982. 4993-5001.

Illustration of the action of the Bank of England some years ago in dispensing with a charge for the cashing of cheques by the branches, and the remittance of the money to London, *Hon. A. L. Melville* 4982.

Report, 1875—*continued.*

RATES AND CHARGES—continued.

3. *Practice of Scotch Banks in charging for the Collection, &c.*—continued.

Explanatory statement in connection with the recent remittance of a sum of 10,350 *l.* by witness' bank from Edinburgh to London, and the charge made; three different modes by which the full amount might have been received in London, *Fleming* 5001,* 5002. 5016-5025——Numerous instances of the Royal Bank having been charged by provincial joint stock banks in England for making available in London the amounts of English cheques remitted to them, *ib.* 5001.* 5025.

Practice of English joint stock banks as to making certain charges against Scotch banks in respect of cheques sent from Scotland; that is, after the example set by the latter banks, *Hon. A. L. Melville* 5025.

Collection by the English banks through the country clearing free of charge, whilst on cheques sent to Scotland a commission is charged by the Scotch banks, *Rae* 5141-5143——Advantage, doubtless, in cases of competition, where a bank can make charges of 1 *s.* or 2 *s.* per cent., *Palgrave* 5703, 5704, 5765, 5766.

Practice of English banks to collect cheques and bills through the country, clearing without charge, whereas on cheques or bills payable in Scotland, the Scotch banks charge a commission of 2 *s.* per cent. up to 600 *l.*, and 1 *s.* per cent. beyond 600 *l.*, *Smith* 6873-6883——Further statement as to the better position of Scotch than English banks on the score of commission for collection of cheques, *ib.* 7256-7269——Concurrence in Mr. Smith's evidence on the subject of commission and other charges, *Crake* 7307.

Collection of cheques in England free of charge, whilst for cheques upon Scotch banks a charge is made: ground for complaint by English banks on this score, *Palmer* 7534-7536. 7650-7654——Doubt as to there being any good reason for this charge, *Hodgson* 7536-7538. 7547. 7646-7649.

4. *Rates and Charges of Banks in Ireland:*

Information relative to the charges of the Munster and other Irish banks to their customers and the public, *Belton* 2476. 2514, 2515. 2556-2561——Regulation of the rates of discount of the Irish banks according to the Bank of England rate, *ib.* 2556, 2557.

Similarity between the charges of banks in Ireland, though there is no understanding as to uniformity, *Mills* 2891-2894. 2918-2920. 2972, 2973——Charge of 1 *s.* per cent. made by the National Bank when cheques are sent to its Irish branches by English banks, *ib.* 2895-2898——Practice of the National Bank as to making charges for business done in London for customers in Ireland, *ib.* 2930-2932——Rule of the National Bank as to the interest on deposits in Ireland being regulated by the rate of the Bank of Ireland; independent action, however, on this point, *ib.* 2933, 2934. 2951-2954. 2962-2966.

Explanation of the charges by Irish banks to their customers in Ireland for payments on their account in London, *Du Bedat* 3118-3122——Regulation of the rates for loans, &c. by the Northern of Ireland, Belfast, and Ulster banks, by the rate of the Bank of Ireland, *Bristow* 3450-3452. 3540, 3541.

See also *Banking Facilities. Cheques. Clearing House. Clydesdale Banking Company*, 3. *Liverpool. Profits. Scotch Banks*, 4. 7.

Re-Appointment of Committee. Insufficient time at the disposal of the Committee for the preparation of a Report: recommended re-appointment next Session, *Rep.* iii.

Readman, George. (Analysis of his Evidence.)—Is Manager of the Clydesdale Bank, 3602——Establishment of the bank in 1838, its capital being 1,000,000 *l.*, now all paid up, 3603-3607——Very large extension of the business of the bank since 1852, there being now seventy-nine branches, three of which have been recently opened in Cumberland, 3608-3615——Consideration given by the bank twenty years ago to the question of opening branches in London; reasons for deferring action in the matter, 3616-3620 3711-3719——Opinions given by Sir Roundell Palmer and Mr. Moncrieff in 1855 to the effect that the bank might legally open branches in England, 3621-3624.

Very large connections of the Clydesdale Bank in the districts bordering upon Cumberland, and, indirectly, in that county: inducements therein to the bank to open branches at Carlisle, Workington, and Whitehaven, 3625-3627. 3811-3814. 3869——Ordinary banking business carried on at these branches, 3628——Scotch notes have never been issued at any of the branches, but have been received and cashed subject to a charge when brought by strangers, 3629-3637. 3696-3699——Particulars as to the amount received in 1 *l.* notes and in larger notes at each of the three branches, 3634-3636——Respects in which it is a convenience to other banks in Cumberland that 1 *l.* notes should be received at the branches of the Clydesdale Bank, 3638-3643.

Similar rates charged at the Cumberland branches as in Scotland for cashing bills upon Scotland, 3644-3650——Doubt as to the charges at the English banks in the county; witness has heard, however, that they are higher than those of the Clydesdale Bank, 3651-3660——Belief as to the Cumberland banks of issue being restricted by law from going to London, although witness' bank is not so restricted, 3661-3666. 3677, 3678.

Readman, George. (Analysis of his Evidence)—*continued.*

3836-3838——Charge of 3*s.* 6*d.* per cent. for the cashing of 1*l.* notes brought by strangers, 3667-3670.

Particulars relative to the terms of business and the charges generally at the three branches in Cumberland, the Scotch banking system being adopted, 3671-3674. 3720-3723. 3759-3769. 3856-3860. 3889-3891. 3897-3899——Power of English non-issuing banks as well as of Scotch banks to come to London, 3675, 3676—— Calculation showing that since 1844 circulation to the amount of nearly 2,000,000*l.* had lapsed in England, including nearly 600,000*l.*, through failures; smaller proportion, however, than in Scotland in reference to the population of each country, 3679-3685. 3839-3841. 3870-3875.

Statement as to the Clydesdale Bank branches in Cumberland not having affected its circulation 3700-3703. 3777-3779——Belief that the circulation of 1*l.* notes in Cumberland has not increased to any perceptible degree since the opening of the branches, 3704-3707 3772-3776——Very small circulation of Bank of England notes in Scotland, 3708-3710 ——Examination upon the question whether a certain calculation is not fallacious which purports to show the per-centage of profits of Scotch and English banks according to the deposits, 3720-3738.

Information as to the amount of gold and silver held by the Clydesdale Bank in reference to its excess issue, 3739-3746——Important effect of the exchange in reducing the circulation in the hands of the public, 3746-3753——Statement relative to the per-centage of working expenses upon deposits in the case of witness' bank: expediency of all banks being equally required to supply this information, 3754. 3846-3850——Large proportion of the bank's deposits lent to customers, 3755-3758——Advantage to the bank if it could reduce its circulation; this, however, depending entirely on the demand of the public, 3777-3779.

Evidence to the effect that the Clydesdale Bank would probably keep as much gold as at present, even if it did not exceed its authorised issue, 3780-3791——Convenience if Bank of England notes might be partly held instead of gold, 3792——Decided objection to a withdrawal of the privlige of over-issue against gold; hardship on the other hand in English banks of issue not having the same privilege, 3793-3802. 3820. 3851-3855. 3861-3868——Less expense of a branch in Scotland than in England; facility by means of the right of over-issue, 3803-3805. 3851-3855——Opinion that Glasgow is very much over-banked, 3807-3809——Very litte gold kept at Scotch branches, 3810.

Examination as to the degree of disadvantage under which English banks of issue would labour in competition with Scotch banks in Scotland; question hereon as to the privilege of issue against gold conferring any actual profit, 3815-3835. 3878-3888—— Perfect confidence of the public in the Scotch banks, whereas some English banks opened in Scotland have failed, 3839-3845.

Doubt as to Scotch banks in Cumberland having any advantage over Cumberland banks in Scotland; that is, as regards the notes put in circulation in each case, 3878-3888 ——Reasons for the small circulation of English notes over the Border, 3892-3895—— Belief that in Cumberland the new branches of the Clydesdale Bank are appreciated as a local convenience, 3896.

Registration. Necessity of both Scotch and Irish banks registering themselves in England under the English Acts before doing business in London, *Tatham* 638, 639.

RESERVES:

Explanation of the system of the Scotch banks in the matter of cash reserves for meeting engagements; conclusion as to the necessity of keeping large reserves in London, *Gairdner* 921-927——Necessary withdrawal of coin from the London reserves in the event of a heavy run for coin in Scotland, *ib.* 925, 926——Explanation in connection with the total coin in the hands of the Scotch banks as part of the reserve in proportion to the liabilities, *ib.* 1252, 1253. 1255-1257.

Total of about one-third of the liabilities of the larger Scotch banks represented by the Government securities, &c. in London and the gold in Scotland, with the notes of other banks, *Gairdner* 1297——Dependence doubtless of the Scotch banks upon their reserves in London, else they must maintain a larger home reserve in coin, *ib.* 1410-1419.

Variation, according to distance from London, and other circumstances, in the proportion of bullion and bank notes, and of Government securities which banks, should keep in reference to their liabilities, *Seebohm* 4903-4908——Much larger amount in gold and Bank of England notes held by banks of issue in this country than is represented by their issues, *Palgrave* 6161.

Expediency of banks generally bearing the burden of the cash reserve necessary in reference to their own liabilities; suggestion hereon that the banks should keep their cash reserves with the proposed State department of legal tender issue, *Dun* 6227-6232-6324.

Further explanation in connection with the proposition in regard to the banks keeping their reserves with a State Bank of Issue; sundry objections considered, *Dun* 6456-6463. 6561-6564——Statement to the effect that witness considers the Scotch banks

RESERVES—continued.

perfectly safe, *Dun* 6467-6471——Expediency of each bank keeping a larger reserve, immediately available, than has hitherto been the practice, *ib.* 6495, 6496——Suggested proportion of one-third in bullion and first-class securities in relation to the liabilities to the public, *ib.* 6520, 6521—— Great importance of bankers holding ample reserves, *Cooke* 6768, 6769.

Impression that in gold and notes the London and Westminster and other London banks keep a larger proportionate cash reserve than is kept in gold by the Scotch banks, *Hodgson* 7657–7659——Increased reserves of bankers with the Bank of England in times of panic, *ib.* 7809, 7810.

Tendency in England to unduly reduce the reserves and to allow too much interest on money at call, *Bagehot* 8058. 8091–8093.

See also *Bank of England I.* 2, *II.* 1. *Capital and Reserves.* *Gold and Silver Coin.*

ROYAL BANK OF SCOTLAND:

Absolute loss to the Royal Bank of Scotland in respect of its circulation, *Fleming* 42. 188——The bank circulates about 700,000 *l.* of notes on the average of the year, and holds about 600,000 *l.* in gold, *ib.* 42.

Explanation as to the bank having by their Act in 1874 voluntarily stipulated not to carry on business in England, save in London; this was done at the request of the English county bankers, *Fleming* 141–146. 192–195——The Governors of the Bank of England made no objection to this stipulation, *ib.* 195——Circumstance of the Royal Bank of Scotland being the only Scotch bank expressly excluded by its constitution from coming to London; origin of the bank adverted to hereon, *ib.* 159, 160.

Exception taken to the view that Government and Parliament in sanctioning a branch establishment in London of the Royal Bank of Scotland necessarily held opinions at variance with those of witness, *Stephen* 331–335.

Means of the Royal Bank for increasing its business in London without enlarging its capital, *Fleming* 1339, 1340——Explanation as to the bank not having made any registration before commencing business in London, *ib.* 1455–1461——Necessity for the bank coming to London, two other Scotch banks having already done so, *ib.* 1478. 1690. 1702, 1703—— Mutual arrangement between the bank and several of its provincial correspondents, or agents in England, as to the charge for collection of cheques, *ib.* 1490. 1495.

Limitation hitherto of the business of the Royal Bank in London to the transaction mainly of the London part of its Scotch business, *Fleming* 1622, 1623——Increased expense to the Royal Bank in having a branch in London as compared with the previous agency arrangement, *ib.* 1690——Main object of the bank in coming to London to preserve its Scotch business, *ib.* 1690. 1713——Regret of witness at the necessity of coming to London; that is, in view of the responsibility of a new and distant business, *ib.* 1703–1707.

Reference to the motive assigned by Mr. Fleming for the advent of his bank of London, *Palgrave* 6122.

Information in paper submitted by Mr. Fleming relative to the charter of incorporation of the Royal Bank and the privileges as to issue, &c., *App.* 445, 446.

Average amount of bank notes in circulation, and of coin held, during the four weeks ending 21st March 1814, *App.* 448——Return showing the liabilities and assets, under different heads, as per last annual account, *ib.* 455.

Returns of the daily note circulation, before and after giving effect to daily exchanges, from 29th March to 24th April 1875, *App.* 456–461——Table showing the average issue in 1874, the proportion of actual to authorised issue, and the proportion of small and large notes, *ib.* 502.

Analysis of balance sheets published in 1874, showing the net profits, the per-centages of net business profits, the dividends, &c., *App.* 464—— Return of banking advances and losses in each of the years 1865–74; very small per-centage of the latter to the former, *ib.* 468.

S.

Savings Banks. Large amount of savings banks deposits in Ireland, *Mills* 2948, 2949; *Du Bedat* 3083——Small amount in the Post Office savings banks in Scotland as compared with England, owing propably to the large amount of deposits in the Scotch banks, *Rae* 5355–5365.

Report, 1875—*continued.*

SCOTCH BANKS:

1. *Details generally relative to the existing Banks, their Capital, Powers of Issue, &c.*
2. *Great Value of the Rights of Issue in facilitating the Extension of Business; Money Value represented.*
3. *Obstacles to successful Competition of English Banks in Scotland.*
4. *Concurrence of Evidence as to the undue Advantages of Scotch Banks, by reason of their extensive Rights of Issue, in Competition with English Banks, and as to the Expediency of excluding them from London and from the Provinces.*
5. *Question of ejecting from London the Banks already established.*
6. *Views expressed by the Representatives of the Bank of England.*
7. *Probable Effect of the Competition of Scotch Banks in England as regards banking Facilities and Charges, the Rate of Discount, &c.*
8. *Explanations on the part of Representatives of the Scotch Banks.*

1. *Details generally relative to the existing Banks, their Capital, Powers of Issue, &c.:*

On the 1st January 1845 there were twenty banks in Scotland, the number being now reduced to eleven, all of which are banks of issue, *Fleming* 6-9——Incorporation of six banks under the Companies Act of 1862, whilst the five senior banks are under charter; equal privileges as to issue, *ib.* 14-16. 53, 54.

Information relative to the number, date of establishment, and capital of the Scotch banks; smaller capital in 1875 than in 1845 or 1855, owing to the failure of the Western Bank, *Davidson* 764-766——Establishment of twenty-nine private banks all of which ceased to exist before 1845, eleven having failed or been wound up, *ib.* 764——Particulars relative to the number of banking offices in proportion to the population, at different places and at different periods, *ib.* 767.

Tabular statement delivered in showing the paid-up capital, reserve funds, undivided profits, note circulation, &c., of the several Scotch banks, *Davidson* 836, 837; *App.* 455.

Information in paper by Sir Henry Thring relative to the dates of establishment of the several Scotch banks, and the privileges as to issue in comparison with those of English banks, *App,* 438, 439.

Sundry details in paper submitted by Mr. Fleming relative to the several Scotch banks and their privileges of issue, *App.* 445-448.

2. *Great Value of the Right of Issue in facilitating the Extension of Business; Money Value represented:*

Considerable value attached to the privilege of issue of the Scotch banks though the banks would much prefer a smaller circulation, *Fleming* 41-50. 184-188.

Extract from a recent minute of the banks relative to the advantages of the present system of banking in Scotland, and the importance to the public and the banks of the right of issue, *Davidson* 762.

Additional value of the privilege of issue accordingly as the business of the country increases, *Davidson* 1056-1059——Decrease of the direct profit upon authorised issues on account of the increasing excess of issues, the taxation applying to the whole issue, *Gairdner* 1060-1063——Data for estimating at 3½ per cent. the profit upon the authorised issue of 2,750,000*l.*, less 1¼ per cent. for expenses upon the total issue of about 6,000,000*l.*, *Gairdner* 1063-1268. 1072-1075; *Davidson* 1068-1071. 1075, 1076——Estimated net annual loss of 159,473*l.*, if the right of issue were withdrawn, *Davidson* 1075——Value of the privileges of issue as facilitating the extension of branches and the collection of deposits, *Gairdner* 1499, 1500. 1507, 1508.

Doubt whether, in addition to an estimated profit of 159,448*l.* a year from certain privileges of issue there is the further profit represented by the 4,000,003*l.* excess of issue for which practically no extra amount of gold is kept, *Gairdner* 1535-1544.

Large money value of the legislatives or subsidy of the Scotch banks; unfairness of competition on this score, *Wade* 2084-2089——Subsidy in the case of English issuing banks as well as of Scotch banks, the value, however, being much less in the former case, *ib.* 2169-2179——Means of arriving at the money value of the right of issue of any bank, *Belton* 2541-2543.

Value of the note circulation in Scotland in facilitating the extension of branches, *Gordon* 3957-3963; *Seebohm* 4672-4675. 4686-4693; *Palgrave* 5985; *Cooke* 6566. 6676 *et seq.*; *Bagehot* 8181-8184——Illustration of the value of the privileges of issue of Scotch banks in competition with English banks, *Gordon* 4512-4514——Less reason for objecting to the competition of Scotch banks if they first sold their right of issue, though the proceeds would doubtless facilitate competition; less value of the circulation to sell than to use, *Rae* 5433-5450.

Evidence showing the great value of the privileges of the Scotch banks, more espe-

Report, 1875—*continued.*

Scotch Banks—continued.

2. *Great Value of the Rights of Issue, &c.*—continued.

cially of the excess of issue when a bank has numerous branches, *Palgrave* 5670–5691 —— Advantage also to Scotch banks in not being obliged to pay their notes at all their branches, *ib.* 5678. 5710–5715—— Value further attached to the Scotch privilege of amalgamation, as well as of over-issue against gold, *ib.* 5726–5728 ——More valuable privileges of the Scotch than the English banks of issue, on the ground mainly of the small-note issue, *ib.* 6148, 6149.

Several privileges of the Scotch banks over and above the English banks, even though enlarged powers of issue were given to the latter, *Dun* 6431 —— Evidence as to the much less valuable privileges of English than of Scotch issuing banks, *Bagehot* 8051–8056. 8163, 8164. 8221–8246.

3. *Obstacles to successful Competition of English Banks in Scotland:*

Advantageous position of the eleven Scotch banks, by reason of their privilege of issue, so that, keeping in view also the keen competition which prevails, there is practically no room for the successful introduction of English banks, *Davidson* 953–959; *Gairdner* 965–977——Evidence to the effect that the so-called monopoly of the existing banks in Scotland arises from the low margin of profit, there being at the same time full competition as to accommodation, although there is agreement as to rates and charges, *Davidson* 953–959. 1095–1097. 1178–1180; *Gairdner* 960–977.

Respects in which the law gives a greater permanence and stability to the Scotch system than the English banks enjoy; absence of any machinery for supplying the deficiency, if the Scotch banks gave up their system, *Wade* 1724–1726. 1911–1915—— Concurrence in the view as to the impracticability of English banks competing successfully in Scotland, on account of the privileges and monopoly of the existing banks, *Wade* 1735–1744. 1819–1828. 2090–2096; *Dun* 6214–6216. 6337–6361. 6535–9538 —— Obstacle to successful competition in Scotland, even if English banks could now go there with the same privileges as the Scotch banks, *Wade* 1735–1744. 2090–2096; *Crake* 7408–7412.

Examination as to the degree of disadvantage under which English banks of issue would labour in competition with Scotch banks in Scotland; question hereon as to the privilege of issue against gold conferring any actual profit, *Readman* 3815–3835. 3878–3888.

Necessary discontinuance of any Scotch bank which parted with its circulation, *Palgrave* 6103——Modification to some extent of the published views of witness as to the value of the note circulation to the Scotch banks; conclusion that no English bank without similar privileges could possibly compete in Scotland, *ib.* 6104–6111. 6126.

Practical exclusion of English banks from Scotland as not having the power of issue, *Smith* 6865–6868. 6902, 6903; *Crake* 7332–7336—— Conclusion that although banks of non-issue may compete successfully in England or in Ireland, the privileges of the Scotch banks preclude successful competition in Scotland on the part of English banks, *Bagehot* 8229–8246.

4. *Concurrence of Evidence as to the undue Advantages of Scotch Banks, by reason of their extensive Rights of Issue, in Competition with English Banks, and as to the Expediency of excluding them from London and from the Provinces:*

Argument that if the Scotch banks come to England they should give up their great privileges in Scotland; summary of these, *Wade* 1722–1741. 1812–1818——Hardship to issuing banks in England, though in a less degree, than to non-issuing banks by the rivalry of Scotch banks of issue, *ib.* 1809–1811. 1832–1834——Subsidised position of the Scotch banks, so that they could compete on unequal terms, though their charges and terms hitherto may not have been more liberal to the public than those of English banks, *ib.* 1950–1958. 1966–1969.

Argument in further support of the conclusion that the Scotch banks may justly be considered as in the receipt of a Parliamentary subsidy enabling them to compete unfairly with English banks, *Wade* 2015–2027. 2069—— Non-objection to Scotch competition under equal laws, *ib.* 2033, 2034.

Main ground of witness' complaint that the Scotch banks have special privileges which facilitate their raising deposits or capital on easy terms in Scotland, and which they bring into England in competition with banks not having similar privileges, *Gordon* 4356–4363. 4400–4409. 4434–4441. 4484, 4485. 4558–4565.

Question for the London bankers to consider whether all the Scotch banks may not be induced to come to the metropolis, *Seebohm* 4620——Increased opportunities of the Scotch banks for employing their money fully through their being able to fall back upon England for gold, *ib.* 4916, 4917——Opinion that the best alternative to adopt is that of restricting the Scotch banks, with their local issues, to their own country, *ib.* 4958.

Undue advantage of the Scotch banks in competition in England, by reason of their special

Report, 1875—*continued.*

SCOTCH BANKS—continued.

4. *Concurrence of Evidence as to the undue Advantages of Scotch Banks, &c.*—contd.

special privileges enabling them to procure on easy terms in Scotland ample resources for such competition, *Hon. A. L. Melville* 4977–4980.

Opinion that Mr. Goschen's Bill is the only practicable solution of the difficulty under consideration; its effect being to place all privileged banks in England, Scotland, and Ireland on precisely the same footing, *Rae* 5066. 5111. 5229–5231. 5337–5345. 5348–5368 ——Argument in support of the conclusion that Scotch banks, with all their privileges of issue, should not be allowed to establish branches in England, and thus to compete with English banks having no such privileges; illustration to this effect, *ib.* 5102–5113. 5150–5154——Undue advantage of the Scotch banks over the English banks on account of the issues of the former supplying them with capital at a very low rate of interest, *ib.* 5105. 5129–5133.

Conclusion that Scotch banks should be excluded from London as well as from the English provinces, unless they gave up their power of issue, *Rae* 5337–5345——Due regard to be had to the rights and privileges of other banks in considering the question of admitting the Scotch or Colonial banks to England on general economical grounds, *ib.* 5417–5419.

Special objection to the competition in London or in England of Scotch banks on account of their unduly favourable position, through the issue of 1 *l.* notes, *Palgrave* 5902–5909. 5953, 5954. 5960–5973——Impolicy of withdrawing any of the privileges of the Scotch banks, *ib.* 6019—— Argument that there is already plenty of banking competition in England, to the benefit of the public, and that Scotch banks should not be allowed to come in on unequal terms, *ib.* 6024–6034. 6056, 6057. 6102.

Decided approval of the policy of Mr. Goschen's Bill, on the ground that it is unjust to English bankers to be placed in competition with Scotch bankers unless there be an assimilation of the principles upon which they are dealt with by law, *Dun* 6174–6176 —— Improbability of any Scotch bank electing to give up its issue as a condition of coming to London, *ib.* 6420.

Decided approval of the policy of Mr. Goschen's Bill; witness contending that it is only common justice that the Scotch banks should be prevented from coming to London, *Cooke* 6652–6654. 6738–6741. 6747——Grounds for the conclusion that the Scotch banks by their privileges of issue at home have an undue and unfair advantage over English provincial banks in the establishment of competing branches in England; admission on the other hand as to the public advantage of branches, *ib.* 6576–6601. 6640, 6641. 6732–6741. 6767——Opportunities of the Scotch banks by means of their powers of issue for obtaining deposits at low rates in Scotland, and for discounting in England at a lower rate than English banks, *ib.* 6685–6689, 6740, 6741. 6747—— Illustrations of the unfairness of the competition of Scotch banks in England, by reason of their privileges of issue, and of the cheap capital thereby provided, *ib.* 6785–6791.

The committee appointed by the London and provincial bankers represents, practically, the banking interest of England, and is unanimous in supporting the general policy of the Bill, *Smith* 6863, 6864. 6869——Argument that, English banks being precluded from business in Scotland, Scotch banks should not be allowed to extend their monopoly into England; unfair and uneqal competition thereby, *ib.* 6869, 6870. 6902–6908. 6924, 6925.

Instance of an account having been withdrawn from witness' bank in consequence of a Scotch bank having opened a branch in London which undertook the account without any charge for collecting cheques or bills in Scotland; unfair competition in this case, *Smith* 6884, 6885. 7054–7075. 7113–7130. 7179–7189. 7207–7215.

Probability of the purchase of English country banks by Scotch banks if not confined to their own country, *Smith* 6895——Expediency of maintaining the present state of things generally, save that Scotch competition on unequal terms should not be allowed, *ib.* 6923–6925. 6990. 7196——Readiness of English bankers to meet competition on equal terms, the grievance being that there are competitors in the banking field largely subsidised by Parliament, *ib.* 7131–7136——Witness has heard of other instances of removal of accounts to Scotch banks besides that already detailed to the Committee, *ib.* 7137.

Way in which the privileges of the Scotch banks enable them to dispense with charges on transactions between England and Scotland, and thus to withdraw customers from English banks; unfairness thereof to the latter, though the customers may be benefited, *Smith* 7146–7149. 7179–7192. 7207–7215——Public policy upon which witness bases his argument that Scotch banks should be prevented from coming to London, *ib.* 7270, 7271.

Conclusion that the privileges of issue of the Scotch banks have given them a monopoly, which it would be unjust to extend into England, *Crake* 7303–7305——Operation of Scotch competition in London, and of the monopoly in Scotland, in causing the withdrawal of accounts from English banks in London, *ib.* 7331–7333.

Report, 1875—*continued.*

SCOTCH BANKS—continued.

4. *Concurrence of Evidence as to the undue Advantages of Scotch Banks, &c*—cont[d].

Chief or exclusive ground of complaint in England, in the regard to the competition of Scotch banks, that the privileges are established by law, *Bagehot* 8051–8056 —— Opinion that at present the Cumberland bankers are the only persons much aggrieved, and that London bankers are unduly apprehensive, *ib.* 8052. 8067-8070—— Impracticability of English banks competing successfully in Scotland, whereas Scotch banks have great advantages in competing in England, *ib.* 8054–8056. 8130. 8163, 8164. 8221-8225. 8229–8246.

Further objection to the competition of Scotch banks in England on the ground mainly that the privileges of the former are conferred by the State, and that English banks have not similar privileges from the State, *Bagehot* 8074–8081. 8144-8147.

Views of Sir Henry Thring as to the expediency of excluding the Scotch banks from England, *App.* 439.

5. *Question of ejecting from London the Banks already established:*

Reluctance of witnesss to offer any opinion upon the question of excluding from London those Scotch banks already established there, *Palgrave* 6127.

Conclusion that the continued operation of the Scotch banks already in London is not in accordance with justice, *Dun* 6308–6311 —— Admission that it would be a hardship to eject from London the Scotch banks already there; still greater hardship to the London banks by the continuance of the former, *ib.* 6412–6420. 6539.

Defence of the proposal for expelling from England those Scotch banks which have stolen a march upon their fellows; opportunity of such banks to obtain compensation for their business by transferring the goodwill, *Cooke* 6666–6676.

Opinion that the branches already opened should be precluded from doing banking business, as having transgressed the intention, if not the letter, of the Act, *Smith* 6906–6908.

6. *Views expressed by the Representatives of the Bank of England:*

The Bank of England has decided not to express any opinion upon the question at issue, *Palmer and Hodgson* 7477. 7761–7763. 7792.

Explanation that, personally, witness does not object to the Scotch banks coming to London, *Hodgson* 7764–7766——Opinion that the London bankers have rather a grievance on the foregoing question, *Palmer* 7766, 7767.

7. *Probable Effect of the Competition of Scotch Banks in England as regards Banking Facilities and Charges, the Rate of Discount, &c.:*

Probability of the Scotch banks not bringing more capital to London than at present, nor doing business more cheaply than the London banks; inexpediency, however, of competition on unequal terms, *Palgrave* 5907–5909. 5960–5973——Convenience, probably, to the Scotch banks in having branches in London, *ib.* 5910–5914——Belief that Scotch banks in England would not induce any beneficial competition, *ib.* 6112, 6113.

Great improbability of the rates of interest in England being affected by the superfluous capital introduced from Scotland by the Scotch banks, although such capital would facilitate an unfair competition with English banks, *Cooke* 6642–6651.

Conclusion that the rate of interest to the commercial community would not be lowered by the competition of the Scotch banks and the transfer of Scotch capital to London, *Smith* 6891–6894. 6905——Grounds for apprehending Scotch competition, though for some time to come it is not likely to cause any reduction in the terms offered to the public or in the rates of discount, *ib.* 7216–7222.

Opinion that any capital brought into England by the Scotch banks cannot affect the rate of interest, *Crake* 7328, 7329——Advantageous position of the Scotch banks in being enabled by their privileges to undertake certain business free of charge, to the injury of the London banks, *ib.* 7331. 7425-7427——Possibility of banking business being done more cheaply in England by the competition of Scotch banks; doubt as to the public being benefited, *Bagehot* 8082–8084.

8. *Explanations on the part of Representatives of the Scotch Banks:*

Great change in the course of commercial business in Scotland during the last thirty years, so that it has become of great importance to the banks to have branches in London instead of being represented by agents, *Fleming* 28–30——Legal power of an English bank of issue to establish branches in Scotland, but not to issue out of England, *ib.* 31. 118–121——Reason for Scotch banks of issue being allowed to open branches in London, whilst English banks of issue are debarred the privilege; the former do not, like the latter, come into competition with the Bank of England, *ib.* 190, 191.

Belief as to there being agreement among the Scotch banks in London as to their charges, *Davidson* 1192——Improbability of the Scotch banks in London conducting their

Reports, 1875—*continued.*

Scotch Banks—continued.

8. *Explanations on the part of Representatives of the Scotch Banks*—continued.

their business on the Scotch system rather than on that of the London banks; similar rate allowed on deposits by both classes of banks, *Fleming* 1354, 1355. 1404, 1405.

Question considered whether there is any greater necessity for the Scotch banks than for the larger English provincial banks to have independent establishments in London, *Gairdner* 1470-1478.

Expediency of full opportunity being given to the Scotch banks to consider their position, as affected by an alteration of the Acts of 1844 and 1845, and to make suggestions for their protection, *Fleming* 1673.

Explanation that no more money is likely to be brought from Scotland to London for investment in competition with English capital than under the former agency system, *Fleming* 1691-1699——Conclusion as to other Scotch banks in London as well as the Royal Bank adopting the English system of banking, *ib.* 1700-1702.

See also *Acceptances* (*Foreign Bills*). *Acts of Parliament. Agencies* (*London*). *Amalgamation of Banks. Assimilation of the Law. Averages* (*Note Circulation*). *Bank of England*, II. 2; III. *Bank of Scotland. Banking Facilities. Branch Banks*, 3. *Capital and Reserves. Clearing House. Clydesdale Banking Company. Colonial and Foreign Banks. Country Banks*, 5. *Cumberland. Deposits*, 2. 4. *English Creditors. Excess of authorised Issue. Exchanges of Notes. Failures of Banks. Gold and Silver Coin*, 2-5. *Inequalities of Legislation. Legal Claim. Management of Banks. Monopoly* (*Scotch Banks*). *Note Circulation*, 3-5. *One Pound Notes*, I. 4. 6; II. *Panics. Peel, Sir Robert* (*the late*). *Profits. Public, The. Rates and Charges. Reserves. Royal Bank of Scotland. Security for Issues. Western Bank of Scotland. Working Expenses.*

Security (*Note Circulation*):

1. *Considerations as to the Expediency of the Deposit of Securities for Local Issues; Suggestions to this effect.*
2. *Suggestions for making Issues a First Charge upon Assets.*
3. *Degree of Security of Scotch Issues.*

1. *Considerations as to the Expediency of the Deposit of Securities for Local Issues; Suggestions to this effect:*

Support given by the National Provincial Bank to the Government Bill of 1865, enabling issuing bank to hold Government securities against their note circulation; probable cause of the failure of this proposition, *Wade* 2207-2215. 2257-2261——Absence of special security for the authorised issues of the Irish banks; necessity of holding gold against excess of issues, *Belton* 2456-2461——Less expense if the National Bank could deposit securities instead of holding gold, *Mills* 2797-2860.

Difficulty in devising a security for issues which should not be double in its action; approval, however, of the deposit of some sort of security, *Seebohm* 4654-4656——Further consideration of the question of a deposit of securities against note issues; witness suggesting that securities might be deposited against a portion of the issues, and that the other portion might be made a first charge upon assets, *ib.* 4738-4744. 4857-4872. 4913. 4950-4953.

Illustration of the difficulty of giving security for issues, *Rae* 5067——Approval of some regulation being provided for securing the note issues, *ib.* 5236-5239——Other assets besides gold which would be available as security for the note circulation, *ib.* 5286-5289.

Examination as regards the question of security for issues to the effect that this might involve much difficulty and hardship in the case of banks whose actual issues in proportion to their authorised issues are very small, *Palgrave* 5592-5605. 5618-5633——Conclusion that any security would apply to the authorised issue, *ib.* 5592——Doubt as to banks being prepared to find security if allowed to issue in excess of their authorised issue, *ib.* 5606, 5607.

Further examination upon the question of security for issues; witness repeating that the matter is a very difficult one, and that he is not prepared to make any suggestion on the subject, *Palgrave* 5769-5787——Difficulties in the way of security for issues further adverted to; if security be requested, amalgamation in its fullest sense should first be allowed, *ib.* 5996-5998.

Inadequate means of the public for judging as to the security for issues, *Dun* 6256, 6257——Suggestions as to the limit to be applied, and the security to be required, in the case of an extension of the right of issue to all banks, *ib.* 6312-6320——Objection to the suggestion that gold might be lodged with a State bank of issue, as security for private issues in England under an extended system; much less value of such issues than under the Scotch system of issuing against gold kept in the tills of the banks, *ib.* 6505-6515

Report, 1875—*continued.*

Security (Note Circulation):

1. *Considerations as to the Expediency of the Deposit of Securities, &c.*—continued.

6515——Exceptions taken to a requirement that issuing banks in England should deposit securities; increased safety, however, of their issues if this precaution were enforced, *Cooke* 6855, 6856.

Advantage if approved securities were lodged with the State against the issues by banks, such securities to be withdrawn only when the issues are discontinued, *Palmer* 7512–7514——Approval of issuing banks being required to deposit approved securities against their issues, in the absence of a gold basis, *Hodgson* 7870. 7899–7901——Opinion that any obligation upon banks of issue in England as to lodging securities should apply equally to banks in Scotland and Ireland, *ib.* 7870.

Proposition that banks in England might be allowed an unlimited issue upon the deposit of adequate Government stock as security; probable objection by many issuing banks to this proposal, which, if adopted at all should be carried out with the greatest care, *Bagehot,* 7980, 7981. 7989-7997. 8025, 8026. 8037–8043. 8061–8066. 8088—— In addition to the deposit of Government stock a certain proportion of coin might be required, *ib.* 7980. 8026——Opinion that issuing banks would have no good claim to compensation if unlimited issues were allowed to all banks upon the deposit of securities, *ib.* 7995–7997——Explanation that local issues, specially secured, should still be only subsidiary issues and not a legal tender, *ib.* 8037. 8061–8067. 8096–8098.

2. *Suggestions for making Issues a First Charge upon Assets:*

Proposal that in addition to issuing banks being required to lodge securities, the notes might be a first charge upon the assets, *Seebohm* 4738–4744. 4857–4872. 4913–4915. 4950–4953——Grounds for the suggestion that if security be required for issues, the best plan would be to make the circulation a first charge upon the assets, *Rae* 5067, 5068. 5173–5184——Improbability of panics being increased if the notes of banks were a first charge upon the assets; reference hereon to the case of the Western Bank of Scotland, *ib.* 5327–5332.

Proposal in regard to existing issues being made a first charge upon the estate, *Dun* 6319. 6530, 6531 —— Dissent from the view that panics might be aggravated by making note issues a first charge upon the assets; illustration in the case of the Western Bank of Scotland, *ib.* 6440–6442.

Further consideration of the question of security in the event of a general extension of the right of issue; preference to the plan of making the notes a first charge upon the assets, *Dun* 6484–6488. 6505–6516. 6530, 6531——Reason for the note-holder having a prior claim to the depositor, *ib.* 6530, 6531.

3. *Degree of Security of Scotch Issues:*

Exemption of note-holders in Scotland from any loss for very many years past, *Gairdner* 1308——Groundlessness of the suggestion that note-holders in Scotland may be less secure through the opening of branches in London, *Fleming* 1355, 1356——Non-apprehension on the part of the note-holders or depositors in Scotland upon the question of the banks undertaking a new description of business in London, *ib.* 1707–1712.

Admission that the proportion of notes issued without a gold basis, is larger in England and Wales, in reference to the population, than in Scotland, *Palgrave* 5823–5832—— Much better position of the holder of a Bank of England note than of a Scotch note, as regards the question of claim upon the State, *ib.* 6077–6085.

Grounds for the conclusion that there is increased risk to the note-holder in Scotland by an increased circulation of Scotch notes, and an extension of Scotch business in England, *Smith* 6994–7003. 7229–7237.

Concurrence in the view that whilst the Bank of England issues are obsolutely safe, Scotch and provincial issues are anly comparatively safe, *Palmer and Hodgson* 7818–7824. 7896–7908.

See also *Excess of Authorised Issues. Gold and Silver Coin.*

Seebohm, Frederic. (Analysis of his Evidence.)—Is partner in the banking firm of Sharples & Co., of Hitchin, this being a private bank, with an authorised issue of about 38,000 *l.*; was formerly called to the bar, 4569-4575 ——Has been deputed by an association of issuing bankers to give evidence before the Committee on the subject of the public advantages of local issues, 4576, 4577.

Evidence in detail as to the advantage of local notes to the public, and to provincial trade, on the score of their ready exchangeability, 4578–4591——Absence of local issues in those districts only where there are Bank of England branches, 4584, 4585—— Reasons for the Bank of England note not being so readily exchangeable as local issues; obstacle on this score if there were a 1 *l.* note issue in England, on account of the necessity of holding sufficient gold to secure convertibility, 4587–4590.

Several reasons which militate more strongly against forgeries of local issues, than of a central

Report, 1875—*continued.*

Seebohm, Frederic. (Analysis of his Evidence)—*continued.*

a central issue, 4562——Greater liability to forgery in the case of a 1*l.* note issue than of a higher issue, 4593.

Further advantage of local issues in facilitating small transactions which form the beginnings of trade; illustrations to this effect, 4594–4603. 4627. 4677–4693——Facility more especially in the cashing of cheques, free of charge, by giving local notes in exchange for them, 4594–4598. 4638–4644. 4679–4685. 4693——Very large number of cheques on other banks cashed free of charge by Sharpies & Co., at Hitchin, 4596, 4597——Particular districts in which the local issues fall short of the authorised amount, 4598——Several respects in which the transfer of local issues to the Bank of England would impede transactions in the country markets, to the inconvenience and injury of the trading public; that is, to small traders more especially, 4599–4603.

Calculations in support of the conclusion that the extinction of local issues, by their transfer to the Bank of England, would not be any source of revenue to the State, 4604, 4605——Value of the issues to the bankers, not merely in the direct profit on the circulation, by saving of interest, but still more in developing transactions and business essential to banking success, 4606. 4627. 4672–4693——Belief of the country banks, generally, that the Act of 1844 was a final settlement as regards the continuance of the right of local issue, save by voluntary surrender, 4607–4613. 4705–4708.

Explanation as to local issues being superseded in manufacturing centres by the operation of the branches of the Bank of England; value of the former chiefly in rural districts, 4614–4616——Claim of the issuing banks at common law, as well as under the Act of 1844; 4617, 4618——Hardship of any withdrawal of issues without compensation, 4617.

Explanation that, personally, witness does not apprehend any material injury to country issuing banks in England by an extension of the privilege of issue to the non-issuing banks; question whether, as a matter of public policy, such extension is desirable, 4619. 4622–4634. 4657——Monopoly of the Scotch banks in Scotland, all the banks acting in concert as to the charges, it being inexpedient to extend the operation of this monopoly into England, in unfair competition with English banks, 4620, 4621. 4625——Question for the London bankers to consider whether all the Scotch banks may not be induced to come to the metropolis, 4620.

Decided injury to the business of witness' bank if the privilege of issue, and the facility thereby for fostering small transactions, were withdrawn; disadvantage in carrying out these operations with Bank of England notes, 4627–4644——Difficulty in computing the compensation sufficient to cover the entire loss by a withdrawal of issues, 4636–4641——Circumstance of a Bank of England note issued at Liverpool having been refused payment at the Manchester branch, 4642. 4699–4701——Belief as to the less facility in the cashing of cheques where Bank of England notes are in circulation, than where there are local issues, 4643, 4644.

Legal power of private banks of issue to come to London, 4646——Probable advantage in some cases if private issuing banks might convert themselves into joint stock banks without forfeiting their right of issue, 4647–4649——Little, if any, use of the privileges of issuing against gold in those parts of England where the authorised issue is now found sufficient; diminution of local issues in some districts, 4651–4653——Difficulty in devising a security for issues which should not be double in its action; approval, however, of the deposit of some sort of security, 4654–4656.

Examination to the effect that the State should look primarily to the convertibility of the bank note, but with due consideration for existing rights of local issue, 4658–4668 Important distinction between the business of the small banks of issue and the large joint stock banks of non-issue, the latter chiefly fostering the system of deposits, 4669–4693——Decided advantage of the facility of providing till money, free of interest, especially in the extension of branches, 4672–4675. 4686–4693——Reason for the less facility in the cashing of cheques in the case of non-issuing banks, such as the London and County; charge made by the latter for cashing any cheques on other banks, 4679–4685. 4702–4704.

Further evidence as to the more ready exchangeability of local notes than of Bank of England notes, 4694–4701——Clause 25 of the Act of 1844 adverted to as consistent with the opinion that the privilege of local issue was intended to be continued as long as the privileges of the Bank of England, 4708.

[Second Examination.]—Further statement to the effect that as regards the cashing by any bank of cheques on other banks, special facilities are given by country banks of issue, 4709, 4710——Line of distinction further drawn between the old issuing banks and the new joint stock banks, the former not being equally justified with their small capital in inviting deposits and offering large rates of interest, 4710–4712.

Argument in further support of the conclusion that the privileges of local issuing banks were intended by the Act of 1844 to be continued equally with those of the Bank of England; clause of the Act of 1856 adverted to hereon, 4713–4716.

Evidence as to the important advantage of Scotch over English banks on account of

Seebohm, Frederic. (Analysis of his Evidence)—*continued.*

the monopoly of the former enabling them to charge for the collection of all cheques drawn upon Scotland, whereas in England cheques are collected through the clearing-house without charge, 4717–4732——Open field for competition in any part of England, 4733——Conclusion as to the Legislature not having contemplated the contingency of the Scotch banks coming to England, 4734.

Impossibility and inexpediency of a system of uniform charges in England, without reference to the more or less risky character of the business done, as well as to local circumstances, and the law of supply and demand, 4735, 4736. 4806-4812. 4833–4836——Comment upon the practice in Scotland of charging differently for the collection of cheques according to the distance of the town upon which they are drawn, 4737——Further consideration of the question of a deposit of securities against note issues, witness suggesting that securities might be deposited against a portion of the issues, and that the other portion might be made a first charge upon assets, 4738–4744.

Examination in further reference to the circumstance of the Bank of England notes issued at one branch not being payable at another, although they are a legal tender all over England, 4745–4751——Conclusion further expressed as to the insufficiency of a central or State issue for the whole country, on account of the difficulty as to local exchangeability, 4747. 4752-4755——Prejudice to small traders by compensating country issuing banks for their note circulation, 4756——Probable loss to the country of more than 2,000,000 *l.* of capital by withdrawing the country issues, and by substituting two-thirds of the amount in Bank of England issues, 4757–4759. 4821.

Satisfaction given generally to issuing banks by the terms of the Act of 1844; 4760——Payment of a license duty of 30 *l.* for each branch of witness' bank, as well as for the head office, this, with the composition of 7 *s.* per cent., amounting to 17 *s.* per cent. upon the issue, 4761–4764——Deprecation of a great number of issuing banks in the same district, 4765.

Objection upon grounds of public policy to the issue of 1 *l.* notes in England; inadequate compensation for a paper circulation by saving the loss of interest on the gold circulation, 4766–4772. 4813–4822——First abolition of 1 *l.* notes in England by Acts in 1775 and 1777, the people of the country being now habituated to a gold currency, 4767. 4909–4912——Danger of a foreign drain in time of war if there were a 1 *l.* note issue, 4768.

Impression as to the gold circulation of England being estimated at 100,000,000 *l.*, the note circulation being about 31,000,000 *l.*; very small gold circulation in Scotland adverted to hereon, 4771. 4823–4832——Inconvenience and loss in respect of light gold, this, however, being fully counterbalanced by saving the expenses of a 1 *l.* note issue, 4773–4782.

Objection to joint stock banks of issue coming to London as tending to destroy the local character of banking, 4783–4785. 4958——Exception further taken to the restriction upon private banks of issue converting themselves into joint stock companies, 4786, 4787——Satisfaction of witness' firm with their present powers of issue, without a further power of issuing against gold; advantage, however, of the latter power to many banks in England, 4788, 4789. 4837–4841.

Explanation in connection with the main provisions of the Bank Issue Bill of 1865, and the causes of the failure of the Bill; that is, as regards issuing banks with more than six partners being allowed to come to London, 4790–4797——Limited circulation of witness' bank owing to the limited demand, the authorised issue not being reached, 4798, 4799. 4837–4839——Probability of local issues circulating to some extent within sixty-five miles of London if the banks might come within that radius, 4800–4803——Ready exchangeability of notes in Ireland and in Scotland, though this would not apply to a central issue in England, 4804, 4805.

Conclusion further expressed as to the impolicy of substituting a paper circulation in England for the sake of the interest to be saved in respect of the gold circulation, 4813–4822——Exception taken to an issue of 1 *l.* notes in England upon the same principle as in Scotland in respect of gold being held, 4842–4844——Facility for exchanging the notes of witness' bank in London, though they do not circulate there, 4845–4848——Comparatively few bank failures in England since 1844, banking now being much more soundly conducted in country districts, 4849, 4850.

Practice of witness' bank to discourage very small deposits, and to advise small depositors to put their money in a savings bank, 4851–4854. 4886–4889——Very small proportion borne by the amount of issue of a well-conducted bank to its other liabilities, 4856——Consideration of objections to the proposal that issuing banks might be required to lodge securities and that the notes might be a first charge upon the assets, 4857–4872. 4913–4915. 4950–4953.

Advantage of an extension of local issues in large towns; convenience as regards the payment of wages, 4873–4878. 4882, 4883——Doubt as to the loss by light gold being an appreciable per-centage on the transactions of the country, 4880, 4881——Practice of witness' bank not to make any charge for light gold, 4884, 4885——Evidence in support

Report, 1875—*continued.*

Seebohm, Frederic. (Analysis of his Evidence)—*continued.*

support of the view that the permanent investments of the working classes would be much better placed if put into Consols instead of being deposited with banks, 4886–4902.

Variation, according to distance from London and other circumstances, in the proportion of bullion and bank notes, and of Government securities, which banks should keep in reference to their liabilities, 4903–4908——Increased opportunities of the Scotch banks for employing their money fully through being able to fall back upon England for gold, 4916, 4917——Examination to the effect that it is impolitic in banks to offer high rates of interest on deposits, thus preventing permanent investment otherwise, and that this class of business unless cautiously conducted is dangerous to the banks as well as to the public, 4918–4947. 4954. 4959–4965.

Reasons for objecting to private banks being required to publish accounts annually, 4948, 4949——Much less ready detection of forgery if there were a central issue of 1 *l.* notes in England, than under the Scotch system, 4955, 4956——Increased disadvantages of non-issuing banks in England by assimilating the privileges of issuing banks to those of the Scotch banks, 4957. 4966——Opinion that the best alternative to adopt is that of restricting the Scotch banks, with their local issues, to their own country, 4958.

Sharples & Co. This is a private bank at Hitchin, with an authorised issue of about 38,000 *l.*, *Seebohm* 4569–4575——Very large number of cheques on other banks cashed free of charge by Sharples & Co., at Hitchin, *ib.* 4596, 4597—— Limited circulation of the bank owing to the limited demand, the authorised issue not being reached, *ib.* 4798, 4799. 4837–4839——Facility for exchanging the notes of the bank in London, though they do not circulate there, *ib.* 4845–4848.

Smith, Jervoise. (Analysis of his Evidence.)—Is a member of the firm of Smith, Payne, & Co.; has been from the first a member of the Committee appointed by the London and provincial bankers for the purpose of watching Mr. Goschen's Bill, 6860–6863——This Committee represents, practically, the banking interest of England, and is unanimous in supporting the general policy of the Bill, 6863, 6864. 6869.

Conclusion as to the Scotch banks having a monopoly in Scotland by reason of their legislative privileges, 6865–6868. 6902, 6903——Argument that, English banks being precluded from business in Scotland, Scotch banks should not be allowed to extend their monopoly into England; unfair and unequal competition thereby, 6869, 6870. 6902–6908. 6924, 6925——Large and increasing circulation of Scotch notes at Berwick, since a Scotch bank has been established there; question hereon as to Berwick being a Scotch or English town, 6871, 6872. 6926–6932.

Practice of English banks to collect cheques and bills through the country clearing without charge, whereas on cheques or bills payable in Scotland, the Scotch banks charge a commission of 2 *s.* per cent. up to 600 *l.*, and 1 *s.* per cent. beyond 600 *l.*, 6873–6883——Instance of an account having been withdrawn from witness' bank in consequence of a Scotch bank having opened a branch in London, which undertook the account without any charge for collecting cheques or bills in Scotland; unfair competition in this case, 6884, 6885. 7054–7075. 7113–7130. 7179–7189. 7207–7215.

Evidence in detail as to the objectionable and growing practice of the Scotch banks in London in accepting foreign bills; grounds for the conclusion that this is not legitimate banking business, 6886–6890. 6936–6959. 7024. 7042. 7049–7053. 7076–7104. 7139–7145. 7150–7158——Large increase in the acceptances of the Bank of Scotland and other Scotch banks since they came to London, 6888–6890. 6957–6959.

Conclusion that the rate of interest to the commercial community would not be lowered by the competition of the Scotch banks and the transfer of Scotch capital to London, 6891–6894. 6905——Probability of the purchase of English country banks by Scotch banks if not confined to their own country, 6895——Expected circulation of 1 *l.* notes in England if Scotch branches be established, 6896, 6897.

Benefit to the people of Scotland by the small note circulation, whilst the burden of maintaining the gold reserve is thrown upon England, 6898–6901——Value of a gold circulation in mitigating the effects of a bad harvest, and in meeting a foreign drain, 6899. 6909–6922. 7014–7017—— Belief that the English public would not be benefited by the introduction of Scotch banks, 6905——Opinion that the branches already opened should be precluded from doing banking business as having transgressed the intention, if not the letter, of the Act, 6906–6908.

Expediency of maintaining the present state of things generally save that Scotch competition on unequal terms should not be allowed, 6923–6925. 6990. 7196——Limited interests of witness' firm, as agents for Scotch banks, in the exclusion of the latter, 6933–6935——Obstacle to country banks of issue in England having a branch in London by the addition or withdrawal of a partner, so as to evade the law, 6960–6962——Explanation that there is no saving of till-money by the operation of the clearing-house, 6963–6969——Non-admission to the clearing-house of Scotch or other banks which have not a head office and board in London, 6970–6974.

Report, 1875—*continued.*

Smith, Jervoise. (Analysis of his Evidence)—*continued.*

Contemplated exclusion of English private banks of issue from London, though their competition would not be nearly so unfair as that of the Scotch banks, 6975-6979. 7010-7013——Facilities in Scotland as regards cash credits to small tradesmen on account of the privileges of issue, 6980-6982——Belief that there is ample banking accommodation in London at the present time, the competition being exceedingly keen, 6983-6993. 7007-7010.

Grounds for the conclusion that there is increased risk to the note-holder in Scotland, by an increased circulation of Scotch notes and an extension of Scotch business in England, 6994-7003. 7229-7237——Illustration in the case of the Western Bank of Scotland of the risk incurred in extending operations far from the centre of management, 6994-7006. 7105-7112——Circumstance of London banks having formerly issued notes or bills payable on demand in England, and having been restrained by Act from continuing the practice, 7018-7023——Necessity of paying large salaries in order to secure good bank managers in London, the staff required for a branch involving heavy expense, 7043-7048——Large losses of the Western Bank through its agency at New York, 7107-7109. 7138.

Readiness of English bankers to meet competition on equal terms, the grievance being that there are competitors in the banking field largely subsidised by Parliament, 7131-7136——Witness has heard of other instances of removal of accounts to Scotch banks besides that already detailed to the Committee, 7137——Way in which the privileges of the Scotch banks enable them to dispense with charges on transactions between England and Scotland, and thus to withdraw customers from English banks; unfairness thereof to the latter, though the customers may be benefited, 7146-7149. 7179-7192. 7207-7215.

Further considerations as to the non-admission of the Scotch banks to the country clearing-house, and as to the difficulties in the way; considerable use made of the country clearing by these banks under the present system, 7193-7206. 7246-7250. 7256-7261——Information relative to the working of the country clearing, 7200, 7201. 7246-7248——Grounds for apprehending Scotch competition, though for some time to come it is not likely to cause any reduction in the terms offered to the public or in the rates of discount, 7216-7222.

Objections further urged against the practice of Scotch banks in undertaking the business of acceptances in London; that is, in view more especially of the large issues of the banks, and the risk to the note-holders, 7222-7245. 7273-7275——Further statement as to the better position of Scotch than English banks on the score of commission for collection of cheques, 7256-7269——Public policy upon which witness bases his argument that Scotch banks should be prevented from coming to London, 7270, 7271——Frequent variation necessary in the Bank of England rate of discount, the rate being, however, really regulated by the public, 7277-7287.

Somers, Mr. Authority of Mr. Somers cited as showing his deprecation of the monopoly of the existing banks in Scotland, *Dun* 6394.

South and West of England. Great improbability of established banks in the south and west of England being subjected to competition from Scotch banks, *Bagehot* 8148-8150.

Stamp Duty. Payment of 24,269 *l.* by the Scotch banks for stamp duties in 1874, *Davidson* 818——Duty of 7 *s.* per cent. paid on the general circulation of witness' bank in Ireland, *Mills* 2760. 2836, 2837——Payment, in advance, of 7 *s.* per cent. as stamp duty on the outstanding circulation of the Bank of Ireland; this tax amounts to about 11,000 *l.* a year, *Du Bedat* 3080. 3092, 3093. 3292-3297——Payment by witness' bank in Ulster of a stamp duty of 7 *s.* per cent. upon the circulation, there being no license duty, *Bristow* 3525-3528——Heavy tax now imposed upon issues in England; question whether this could be increased, *Palgrave* 6007-6010.

State Issue:

Evidence to the effect that the combination in the Bank of England of legal tender issue with the ordinary business of banking is a great mistake, and that there should be a separate State department of legal tender issue, *Dun* 6217-6239——Belief that Sir R. Peel had in contemplation the abolition of private issues, and the establishment of a State bank of issue, *Dun* 6240. 6263; *Cooke* 6573. 6609——Decided objection to a State issue, unless confined to legal tender issue, *Dun* 6241.

Respects in which it would be most advantageous in a public point of view if all issues were confined to a national or State bank, *Cooke* 6620-6622. 6764, 6765——Further approval of the principle of a State issue; difficulty apprehended, inasmuch as the banking department of the Bank of England would not in such case be used by bankers in the same way as at present for the purpose of obtaining notes, *ib.* 6677-6684.

Full security for the convertibility of the note of the issue rested entirely with the State; absence of any such assurance under the present system of Scotch or provincial issues,

Report, 1875—*continued.*

STATE ISSUE—continued.

issues, *Palmer* 7700-7703. 7711 7715. 7744, 7745——Concurrence in the view that a State issue of notes should not be thrust upon Scotland or Ireland, *Palmer and Hodgson* 7710. 7798. 7826, 7827.

Concurrence also in the view that any existing restrictions upon Scotch or English banks of issue should not be removed, the wiser policy being to gradually concentrate all issues in the State, *Palmer and Hodgson* 7794-7798. 7818-7827——Mitigation of the run upon the Bank of England in times of panic if the issues were concentrated in the State, *ib.* 7934-7938——The Bank has no pecuniary interest in the question of a State issue, *Hodgson* 7934, 7935.

Grounds for the apprehension that if all issues were concentrated in a State department there would be great pressure upon Government to make loans in times of great pressure or panic, *Bagehot* 8185, 8186. 8198-8206.

See also *Abolition of Local Issues.*

Stephen, James Fitzjames, Q.C. (Analysis of his Evidence.)—Investigation by witness of the numerous and complicated statutes relating to banking, with reference more especially to the right of Scotch banks to carry on business in London or in the provinces, 203-205. 292——Preparation by him of a digest of the law, involving six distinct propositions, which he submits to the Committee as covering the questions under inquiry, 205.

Reference to, and quotation of, the first four propositions, as being simplified statements of the law on various points, and as not being open to dispute, 205——Argument in detail in support of the fifth proposition, that no joint stock bank which issues notes anywhere, except banks in England more than sixty-five miles from London, may carry on business in any part of England 205 *et seq.*——Argument in support also of the sixth proposition, that any joint stock bank which does not issue notes anywhere may carry on all other branches of banking business, except the issue of notes, in any part of England, 205 *et seq.*

Grounds for the conclusion that the relaxation under the Act of 1826, as to the establishment of joint stock banks of issue more than sixty-five miles from London, was undoubtedly limited to English banks, 214-226. 271——Illegality if, when the Act of 1826 was passed, there were any Scotch banks cashing notes issued in Scotland at agencies of their own in towns in England; any such banks were not touched by the Act, 215-218——Separate legislation in 1826 as regards Scotch banks, 218——Intention in 1826 to abolish 1 *l.* notes in Scotland as well as England; strong opposition in Scotland, so that they were still allowed in that country, 218. 285-291.

Belief that the Act of 1828 referred simply to the circulation of small notes in England, and not to any system of agency in force at the time; reference hereon to the discussions upon the Bill in Parliament, 219-226. 234-238. 264. 294, 295——Opinion as to the illegality in 1828 and subsequently of the cashing or negotiation in England of notes issued in Scotland, 220-226. 234-238. 240-247.

Data for the conclusion that the Act of 1833 was, like its predecessor in 1826, limited to England; several special reasons in support of this conclusion, 226-233——Declaratory character of Clause 3 of the Act of 1833, its object being to show that a bank of deposit might be established in London provided it did not issue notes in any part of England, 226-233. 326.

Statement as to the whole course of legislation treating English and Scotch banking as essentially different things, based upon different principles, 239. 252——Principle of the Act of 1844 that the right of issue in England should be restricted and curtailed, and should not be made a matter of private profit, 239. 253-257——System, on the other hand, in Scotland whereby all the Scotch banks have been allowed to make large issues, 239. 256, 257——Great improbability of the Legislature having intended in 1833 that English banks of issue coming to London must give up their issue without intending to apply a similar restriction to Scotch banks of issue, 239. 258, 259. 263.

Decided opinion that if the Scotch banks could not come to London before 1833 they cannot do so by reason of any provision or relaxation in the Act of that year or in any subsequent Act, 248-251. 260-262——Confirmation of witness' interpretation of the Act of 1833 by a statement by Lord Althorp that the Bill was limited to England and Wales, 259. 374——Penalty of 20 *l.* attaching to the cashing in England of every 1 *l.* note issued in Scotland, or Ireland, 265-269——Conclusion further expressed that the Act of 1828 did not refer to any system in force on the part of the Scotch banks for cashing their notes in England; its object was merely to make clear this prohibition of small notes, 270. 376, 377.

Further reference to the Act of 1844 as enforcing the principle that the issue of bank notes should no longer be a matter of private profit; arrangement as to the profits of the Bank of England on this score, 272-274. 294-300. 356.

Explanation that witness' investigation of the law has been undertaken at the instance of English bankers, and that he appears before the Committee in his professional capacity, 275-279.

Report, 1875—*continued.*

Stephen, James Fitzjames, Q.C. (Analysis of his Evidence)—*continued.*

Restrictions under the earlier Banking Acts adverted to in support of the opinion that under the Act of 1833 foreign banks of issue could not have branches for deposit n London, 280–284. 317, 318——Probable reason why the Act of 1833 did not state in express terms that Scotch or foreign banks of issue were prohibited from coming to London, 302–305——Opinion that the Bank of England could not go to Scotland, but that English banks of issue might have branches (without issue) in Scotland; reason for the non-reciprocity between the twocountries, 306-316.

Explanation that witness has not studied the private Acts of the Bank of Scotland as bearing upon the question of the exclusion of the bank from London, 319–321——Important effect of the monopoly of the Bank of England in influencing former legislation as regards joint stock banks and the question of issue, 322–325——Illegality of any bank in London which in Scotland or any other country has the privilege of issue, 326–329.

Exceptions taken to the view that Government and Parliament in sanctioning a branch establishment in London of the Royal Bank of Scotland necessarily held opinions at variance with those of witness, 331–335 ——Concurrence between the recital and the enacting clause of the Act of 1826 to the effect that the relaxations therein were limited to companies having the whole of their establishments in England, 336——Reason for the prohibition under the Act of 1828 having been confined to notes under 5 *l.*, 337, 338.

Further statement as to the illegality of cashing or negotiating any Scotch or Irish notes under 5 *l.* in London, 339–343. 346–348. 378. 383, 384——Universal application of the restrictions in the earlier Acts, the relaxations in 1826 and subsequently being confined to England, 349-351.

Attention of witness drawn to the establishments in London of the Provincial Bank of Ireland and the National Bank, notwithstanding the alleged illegality thereof, 352-355——Examination to the effect that any Irish bank establishing itself in London must act only as a bank of deposit in Ireland in order to comply with the law, 356–364.

Improbability of the judges being much guided by the debates in Parliament on the passing of Bills in their interpretations of the law; admission, however. as to the debates in respect of the Acts in question throwing some light on disputed points, 365–367. 392–395——Admission also as to the legal questions investigated by witness being open to different views; the opinions given by him are, however, the honest result of a careful study of the law, 368–373. 375——Liability to penalties further adverted to as a subject very little understood, 378, 379.

Doubt whether private banks of issue in Scotland are debarred by law from carrying on deposit business in England, 380, 381——Conclusion that private as well as joint stock banks which do not issue anywhere may carry on business in London, 382——Perpetual succession of Acts since 1697 relating to England, the conclusion being that the Acts of 1826 and 1833 are also confined to England, 385-391——Even if the Scotch banks of issue can come to England, they cannot come within sixty-five miles of London, 391.

Stuckey's Bank. Particulars relative to the operation of Stuckey's Bank in Somersetshire, as illustrating the increased facilities given to the public by issuing banks as compared with non-issuing banks; that is, in order to obtain the local circulation, *Bagehot* 7982–7988. 7998. 8136–8143.

Surrender of Issues. Machinery provided by law for banks giving up their issues in England, but not for Scotch banks giving up issues, *Fleming* 147–156.

Gradual discontinuance of surrenders in England, the last composition having been in 1866, *Palmer* 7433-7435——Total of 1,415,000 *l.* as the amount of surrendered provincial issues on which since 1844 composition has become payable, *ib.* 7430.

Explanation of the arrangement between the Bank of England and the Government in connection with the surrender of country issues; the absorption of such issues is no advantage to the bank, *Palmer and Hodgson* 7553. 7557–7570.

Limited extent to which the country banks have been induced to give up their issues and to take a composition of one per cent. in return, *Palmer* 7554–7558.

Facility of supplemental arrangements for preventing inconvenience to holders of local issues if absorbed by the State, *Palmer and Hodgson* 7832, 7833.

See also *Compensation. Lapsed Issues.*

Sweden. Information relative to the banking system of Sweden; its advantages in several respects, *Palgrave* 6163.

Paper, submitted by Mr. Palgrave, containing details relative to the banking law, and the amendments as decreed by the Diet in June 1874, *App.* 539–546.

Report, 1875—*continued.*

T.

Tatham, William. (Analysis of his Evidence.)—Is a solicitor, his firm having acted for the National Bank since its promotion in 1834; 484–487——Intention at first to confine the operations of the bank to Ireland; enlarged action decided upon before the Articles of Association were settled, 488, 489——Commencement of business by the bank in Dublin and in London by means of an agency in each place, there being numerous branches in Ireland, and a large issue there, 490–496——First establishment of a banking business in London in 1854; 497.

Objection made by the Bank of England in 1853 to the National Bank commencing business in London, 498, 499——Removal of the objection first raised by the Bank of England that the National Bank was not established previously to May 1844; 499——Questions submitted on the part of the National Bank in 1853 for the opinions of Sir Richard Bethell, Mr. Wordsworth, and Mr. Welch; replies to the effect that the bank could legally open an establishment in London or within sixty-five miles thereof, 500–505——Case submitted by the Bank of England for the opinion of Mr. Bovill; opinion favourable to the view that the National Bank could legally carry on a banking business in London, 506–508.

Withdrawal of the objection raised at first by the Bank of England, so that the National Bank was admitted to London and to the clearing house, 509, 510——Reason for changing the name of the institution from the "National Bank of Ireland" to the "National Bank," 511–513——Restriction previously to the Act 7 & 8 Vict. c. 113, which prevented the bank carrying on regular banking business in London, so that only a head office was kept, 516.

Obligation at first upon the bank not coming within fifty miles of Dublin, nor issuing there; exclusive privileges of the Bank of Ireland in this respect until the passing of the Act 8 & 9 Vict. c. 37; 517–525. 537——Exclusively Irish business carried on by the Provincial Bank of Ireland; belief that it could legally come to London but for its constitution, 526-528. 611–622——Result of witness' investigations of the various Acts that he relies upon the common law, aided by the Acts 8 & 9 Vict. c. 37, and 7 & 8 Vict. c. 113, s. 47, as authorising the National Bank to carry on business in London, 529–532. 566 *et seq.*

Total of 852,269 *l.* as the present right of issue of the National Bank; necessity of a corresponding amount of gold at the depôts for any excess of issue, 534, 535——Legal power of the bank to unite with other banks of issue, and to acquire their power of issue, 536——Further evidence as regards the exclusion of the National Bank, and other banks of issue, from London, by the Act of 1844, unless established previously to 6th May in that year, 538–555——Power of establishing a new bank in Ireland under the Act 6 Geo. 4, or under the Companies Act of 1862; 556–561.

Similar footing upon which all the Irish banks are placed as regards the right of coming to London; that is, if they had not been forbidden by their own constitution, 562, 563. 594–600. 611–622. 635–637. 659——Belief that in 1854 there was no opposition on the part of the clearing house to the National Bank doing business in London, 564, 565. 601, 602——Practical exclusion of the bank from London but for the power of suing and being sued under the Act of 1844; 566, 567. 588.

Examination as to the effect of the various prohibitions and relaxations under the different Acts since 1694, witness attaching especial importance to the facilities of coming to London under the Acts 7 Geo. 4, c. 26, 7 & 8 Vict. c. 32, and 7 & 8 Vict. c. 113; 568–589. 594–600——Removal by the Act 7 Geo. 4, c. 46, of the previous prohibition upon more than six persons acting as bankers; that is, beyond sixty-five miles of London, 569–583. 664—— Circumstance of Sir Richard Bethell having at first believed that the National Bank could not come to London; that is, until he had heard witness' views on the subject, 590——Explanation that by the Act 7 Geo. 4, c. 26, the bank could not carry on business beyond sixty-five miles from London, and within that radius at the same time, 591–593. 628, 629.

Argument that the legal prohibition upon banks of issue establishing themselves in London does not apply to banks of issue in Ireland or Scotland as not being within the limits of the Bank Charter Act, 596 *et seq.*——Necessity of both Scotch and Irish banks registering themselves in England under the English Acts before doing business in London, 638, 639.

Consideration of the effect of the Act of William the Third and of the Act of Anne, witness contending that under these Acts banks of issue could do business in London as banks of deposit and discount, 640–648. 660–676. 734–745——Reference to certain opinions of Sir James Scarlett and Sir Edward Sugden to the foregoing effect, 645, 646.

Statement as to witness not having brought directly before Sir Richard Bethell the Act of Will. 3, nor the Acts of 1826 and 1833; 649–655——Exceptional position and claim of the National Bank under the clause in the Act of 1844 in regard to suing and being sued, 656–659. 691–695——Concurrence in certain conclusions expressed by Sir

Report, 1875—*continued.*

Tatham, William. (Analysis of his Evidence)—*continued.*

John Campbell as Solicitor General in 1833, to the effect that any bank of issue might at common law, have come to London as a bank of deposit, 660–666. 686–688. 718–723. 756, 757.

Consideration of objections to the view that Irish and Scotch banks of issue may by law carry on banking business in London, and that it is illegal for English banks of issue to do so, 664 *et seq.*——Circumstance of there being a prohibition in an Act of 9 Geo. 4 upon the circulation of Irish 1 *l.* notes in London, 677–685——Argument that the privileges of the Bank of England are limited to England, and are not encroached upon by the operation in London of banks whose issues are not in competition, 689 *et seq.*

Reliance placed upon the Act 7 Geo. 4 in support of the view that banks of issue in England cannot come to London or within sixty-five miles of it, whilst banks of issue in Ireland or Scotland can do so, 689–717——Grounds for dissenting from Mr. Fitzjames Stephen's conclusions that under the Statutes of William the Third and Anne, no foreign bank could come to London as a bank of deposit, 734–745.

Dissent from the inference that Sir Robert Peel and Lord Althorpe in their discussions upon the Bill of 1833, clearly contemplated the exclusion from London of Scotch banks of issue, 746–749——Further reference to the Act of 1826 as being entirely confined to England, and as not dealing with the right of Scotch or Irish banks to come within sixty-five miles of London, 750–755——Inference from Section 7 of the Act of 1833 that the rest of the Act did not relate to Ireland as well as Great Britain, 758–760.

Thring, Sir Henry. (Analysis of his Evidence.)—Preparation by witness for the assistance of Government, of a memorandum relative to the state of the law on the question of Scotch and Irish banks establishing branches in England, 398–401. 406. 414, 415——Decided opinion that Scotch or Irish banks of issue cannot have branches in London or within sixty-five miles of it, 401–410——Dissent from Mr. Fitzjames Stephen upon the question whether Scotch banks of issue can come into England beyond the sixty-five miles radius, witness considering that they may so come, 401. 404. 406.

Complete statement in witness' memorandum of the exclusive privileges of the Bank of England before 1826 and of the alterations made by the Acts of 1826 and 1833; 411–414——Argument that, looking at the whole current of previous legislation, the Act of 1826 applies to Scotch as well as all other banks of issue, and prohibits their coming to London, 416–434——Prohibition of foreign and colonial banks of issue, as well as of Scotch banks of issue, 423. 432–434. 440. 442, 443.

Original object of the monopoly to protect the Bank of England against other issues; the legal prohibition equally applies, although Scotch or Irish notes may not enter into any competition in England with Bank of England notes, 424–431. 437–439. 449–451——Expediency of a further Act of Parliament in order to remove the present ambiguity of the law, 444–448. 452. 483——Opinion that the penalty in the Act of 1828 as to the negotiation, &c., in England, of notes under 5 *l.*, was merely to stop the circulation of such notes, 453.

Examination showing that on certain points the opinion of Mr. Fitzjames Stephen is strengthened, that even beyond the sixty-five miles radius Scotch or Irish banks of issue cannot come into England under the Act of 1826; 454–477——Entirely separate legislation for England and for Scotland in banking matters, 478, 479——Violation of the policy of the Act of 1844 if Scotch banks in London might promote the circulation of their own notes, 480–482——Reply to the argument that the latter part of the 3rd section of the Act of 1833 allows joint stock banks to do business in London provided they refrain from issuing notes, 483

Thring, Sir H. Copy of memorandum by Sir Henry Thring setting forth the history of banking in England and in Scotland, and showing the conclusions arrived at upon the question of Scotch banks establishing themselves in London or the provinces, *App.* 432–439.

Till Money (*Scotch Issues*). Important advantage of local issues to the banks in the shape of the till money thus provided, *Fleming* 41–50; *Gairdner* 978–983. 1424–1426. 1433–1440; *Davidson* 1080–1089——Special value to the Scotch banks of the privilege of keeping unissued paper in their tills, and of working close up to their full authorised issue, *Wade* 1762–1767. 2046–2048; *Bagehot* 8181–8184——Great advantage of Scotch over English banks in the opening of branches, more especially in their privilege of over-issue supplying them with till money, *Gordon* 3957–3963. 3979–3981. 4015–4021. 4040–4043.; *Seebohm* 4672–4675. 4686–4693.

Trade. Doubt as to trade being materially injured by the substitution of Bank of England notes for local issues, though witness would regret this change, *Wade* 2327.

Advantage of local issue in facilitating small transactions which form the beginnings of trade; illustrations to this effect, *Seebohm* 4594–4603. 4627. 4677–4693——Several respects in which the transfer of local issues to the Bank of England would impede transactions in the country markets to the inconvenience and injury of the trading public that is, to small traders more especially, *ib.* 4599–4603.

Decided injury to the business of witness' bank if the privilege of issue and the facility thereby for fostering small transactions were withdrawn; disadvantage in carrying on these

Trade—continued.

these operations with Bank of England notes, *Seebohm* 4627–4644——Prejudice to small traders by compensating country issuing banks for their note circulation, *ib.* 4756.

See also *Public, The.* *Rates and Charges.*

Transfer of Issues. More valuable privilege of the right of issue of English banks if they could sell and transfer the right to other banks, *Palgrave* 5574–5581——Unwillingness of banks to part with their rights of issue though exercised only to a limited extent, *ib.* 5602–5605. 5631–5633. 5667–5669.

See also *Amalgamation of Banks.* *Private Banks.*

U

Ulster. Concert between the Northern Bank of Ireland, the Belfast Bank, and the Ulster Bank as to their terms of business, *Bristow* 3431, 3432——Increase in the branches of these banks from forty-two in 1845 to 200 in 1875, Ulster being now very fully banked, *ib.* 3433-3437. 3483——Total of 830,000 *l.* as the authorised issue of the three banks, the actual issue being 1,600,000 *l.*, and the average gold held about 1,000,000 *l.*, *ib.* 3438–3441——Sufficiency of the present circulation in Ulster for the wants of the public, *ib.* 3442, 3443. 3533–3539.

Necessity of the banks in Ulster obtaining gold from England every October against their excess of issue; reason for not procuring it from the Bank of Ireland, *Bristow* 3444–3449. 3491——Increasing amount of deposits, chiefly in the agricultural districts, *ib.* 3456–3459——Good local demand for bank loans, *ib.* 3460, 3461. 3466.

Return of the average circulation of each bank in Ulster in November, in each year from 1846 to 1874, *App.* 478.——*See* also *Northern Bank of Ireland.*

Union Bank of London. Explanations on the subject of the very large acceptances of the Union Bank of London, *Smith* 6938–6949. 7090, 7091.

Union Bank of Scotland. Statement of the numerous absorptions of small private and joint stock banks into the system of the Union Bank of Scotland, greatly to the benefit of the community at large as well as of the banking interests, *Gairdner* 920——The authorised circulation is 450,000 *l.*, whilst the actual circulation averages 700,000 *l.* or 750,000 *l.*, *ib.* 1639.

Question considered as to the effect upon the interests of other banks in Scotland by withdrawing the rights of issue of those which come to London; explanation as to the Union Bank not being one of the latter, though it may find it advisable to come, *Gairdner* 1608–1621.

Average amount of bank notes in circulation and of coin held during the four weeks ending 21st March 1874, *App.* 448——Return showing the liabilities and assets under different heads, as per last annual account, *ib.* 455.

Returns of the daily note circulation before and after giving effect to daily exchanges, from 29th March to 24th April 1875, *App.* 456–461——Table showing the average issue in 1874, the proportion of actual to authorised issue, and the proportion of small and large notes, *ib.* 502.

Analysis of balance sheets published in 1874, showing the net profits, the per-centages of net business profits, the dividends, &c., *App.* 464.

V.

Value of Issues. See *Country Banks.* *Excess of Authorised Issues.* *North and South Wales Bank.* *Scotch Banks.*

W.

Wade, Richard Blaney, and Edward Atkinson. (Analysis of their Evidence.)—(*Mr. Wade.*) Is a Director of the National Provincial Bank of England, 1717.——(*Mr. Atkinson.*) Is Joint General Manager of the Bank, 1718.

(*Mr. Wade.*) Belief that the banking legislation of 1844 and 1845 clearly intended that banks having privileges of issue should confine their operations to those countries in which they enjoyed such privileges, 1719–1722——Argument that if the Scotch banks come to England they should give up their great privileges in Scotland; summary of these, 1722–1741. 1812–1818——Respects in which the law gives a greater permanence

Report, 1875—*continued.*

Wade, Richard Blaney, and Edward Atkinson. (Analysis of their Evidence)—*continued.*

and stability to the Scotch system than the English banks enjoy; absence of any machinery for supplying the deficiency if the Scotch banks gave up their system, 1724–1726. 1911–1915——Complete monopoly of the Scotch banks, as proved by the fact that no new bank has been established since 1845; this monopoly is the result of their Parliamentary privileges of issue, 1724. 1727–1729.

Important advantage to the Scotch banks in the gold which they hold against their excess of authorised issue being held against all their liabilities, 1730–1734——Obstacles to competition with the Scotch banks in Scotland even if English banks were allowed the same privileges of issue, 1735–1741. 2090–2096——Difficulty of witness in saying offhand whether it would be satisfactory to give the English banks the same privileges as the Scotch banks, 1736–1738. 1812–1815. 1907–1210. 2096——Want of analogy between colonial and Scotch banks as regards the question of competition with English banks, 1742–1744.

Establishment of many non-issuing banks in England since the legislation of 1844–45, in the belief that they would not be exposed to competition from Scotch banks having great privileges of issue, 1745–1748——Anticipated difficulty as regards proceedings by English creditors in the event of liquidation of a Scotch bank having a branch in London, 1749–1751. 2014——Belief as to the impracticability of preventing the circulation of 1 *l.* notes in England if branches be introduced by the Scotch banks; expediency of such prevention in view of the present state of the law, 1752–1755. 1835–1846.

Increased facility of issue in Scotland by means of specie receipts of branch banks in London, 1756, 1757. 1916. 1948, 1949——Considerable sum paid to Scotch banks as commission on cheques and bills sent to Scotland by English banks, 1758–1761——Special value to the Scotch banks of the privilege of keeping unissued paper in their tills, and of working close up to their full authorised issue, 1762–1767. 2046–2048.

(Mr. *Atkinson.*) Loss of only one day in sending cheques through the country clearing instead of sending them direct to the bank on which drawn; degree of risk represented by this delay, 1768–1774. 1847–1850. 2244–2248——Information relative to the charges and the allowances made by witness' bank, and by English joint-stock banks generally, as compared with those of Scotch banks; denial that the latter treat their customers more liberally, 1775–1778. 1780–1808. 1851–1871.

(*Mr. Wade.*) Dissent from the statements by Scotch witnesses that the Scotch banks are more liberal to the public than the English banks, 1779——Hardship to issuing banks in England (though in a less degree), as well as to non-issuing banks, by the rivalry of Scotch banks of issue, 1809–1811. 1832–1834——Circumstance of the National Provincial Bank having given up its issue as a condition of coming to London; Scotch banks should do likewise, 1815–1818. 1829–1831——Way in which an English bank in Scotland, using Scotch notes, would tend to increase the business of the banks issuing such notes; the same conditions do not apply as regards the use of Bank of England notes by local banks, 1819–1828.

Respects in which foreign or colonial banks in London do not compete in the same way as Scotch banks, 1872–1883——Belief that the public would not be benefited by the competition of Scotch banks, whilst the English banks would be injured by the inequality of the competition, 1884–1889——Explanation as to witness, on the part of the English country bankers, having opposed the Bill of the Royal Bank of Scotland in 1873 in order to exclude the bank from the provinces, but not from London, 1890–1903.

Advantage to the public in Scotland as well as to the banks under the system of unlimited issue, 1904–1906——Practice of witness' bank to allow one per cent. less than the Bank of England rate as interest on deposits in London, the rate at the branches varying in every part of the country, but averaging at present from 2½ to 3 per cent., 1917–1932. 1997–1999. 2072–2077——Obstacle to any return from the Bank showing the rates of discount charged to customers; facility of such returns by Scotch banks, 1930–1934——Full banking competition in England; ready extension of branches, 1931. 2233, 2234——Information relative to the number and amount of deposits over and under 300 *l.*; 1935–1941—The per-centage of working expenses upon deposits is 1 *l.* 6 *s.*; 1942.

Subsidised position of the Scotch banks so that they could compete on unequal terms though their charges and terms hitherto may not have been more liberal to the public than those of English banks, 1950–1958. 1966–1969—(*Mr. Atkinson.*) Probability of higher discount rates of witness' bank if they lent to the same class as the Scotch banks, 1960–1963——(*Mr. Wade.*) Great extent to which the bank has fostered the trade of the country by means of accommodation to small tradesmen and farmers, 1963–1965.

Belief that in 1844–45 Sir Robert Peel never contemplated the contingency of the Scotch or Irish banks having independent establishments in England, 1970–1975——Provision as to compensation for surrender of issues in England but not in Scotland, 1976–1978——Confused state of the law as to English banks going to Scotland or Ireland, whilst it is doubtful whether Scotch or Irish banks can come to England, 1979–1982. 2141.

Considerable

Report, 1875—*continued.*

Wade, Richard Blaney, and Edward Atkinson. (Analysis of their Evidence)—*continued.*

Considerable extension of branches by the National Provincial Bank since its loss of issue, 1983–1989——Hardship in the bank having had to forfeit its issue on coming to London if the same condition does not apply to Scotch banks, 1991–1996——Grounds for concluding that Scotch notes would be more likely to circulate in the provinces than in London, 2000–2007. 2066–2068——Circumstance of the Scotch banks having diminished in number before as well as since 1844; 2008–2011.

Argument in further support of the conclusion that the Scotch banks may justly be considered as in the receipt of a Parliamentary subsidy, enabling them to compete unfairly with English banks, 2015–2027. 2069——Exceptions taken to the calculation that the banking profits were 17 *s.* 5 *d.* per cent higher in England than in Scotland, and that the adoption of the Scotch system in England would be equivalent to a gain of 1,125,000 *l.* a year to the public, 2028–2032. 2049–2052——Calculation that the net profits of witness' bank represent only 1 *l.* 1 *s.* 5 *d.* per cent. upon the deposits, 2028. 2049–2051. 2262–2268.

Non-objection to Scotch competition under equal laws, 2033, 2034——Probably necessity of the Scotch banks keeping as much gold irrespectively of their note circulation, 2035–2037. 2097–2099. 2206——Necessity of provincial banks in England keeping much coin for the payment of wages, 2038–2041.

(*Mr. Atkinson and Mr. Wade.*) Further evidence explanatory of the commission and other charges of English banks, and of the practice as to allowance of interest on current accounts as well as on deposits, 2042–2045. 2053–2065. 2070–2083——(*Mr. Wade.*) Large money value of the legislative privileges or subsidy of the Scotch banks; unfairness of competition on this score, 2084–2089.

(*Mr. Wade and Mr. Atkinson.*) Particulars relative to the reserves of the National Provincial Bank in proportion to the liabilities; the bullion and Bank of England notes are about five per cent. of the latter, 2097–2122. 2237–2240. 2293——Total due by the bank on deposit receipts and on current accounts; large proportion of the former at seven days' call, 2123–2127.

(*Mr. Wade.*) Total of about 13,000,000 *l.* lent by the bank to customers, excluding brokers' discounts, 2128–2131——Dividend of 23 per cent. in 1874; 2132——Profit at the rate of about 16 per cent. upon capital and reserves, 2133–2135——Possibility of the system of deposits being carried too far, as preventing investments in building societies and local improvements, 2136–2140.

Establishment of branches by the National Provincial Bank in forty counties in England and Wales, its scale of charges varying locally, so that the bank is a fair sample of English country banking, 2142–2145——Large number of banks comprised in the association represented by witness as regards the non-issuing section, 2146–2148——Considerations as to the probable value of the former right of issue of the National Provincial Bank in comparison with the advantage of coming to London; gain on the whole by giving up the former for the latter, though this would not apply to all provincial banks, 2149–2168.

Subsidy in the case of English issuing banks, as well as of Scotch banks, the value however being much less in the former case, 2169–2179——Degree of injury to English banks of issue if their privileges, as well as those of the Scotch banks, were withdrawn; facility in the extension of branches by means of private issues, though witness' bank has found no difficulty on this score, 2178–2205——Support given by witness' bank to the Government Bill of 1865, enabling issuing banks to hold Government securities against their note circulation; probable cause of the failure of this proposition, 2207–2215. 2257–2261.

Degree of advantage of private issues as a means of advertisement; difficulty in appraising this advantage, 2216–2223——Readiness with which Bank of England notes were received in the provinces in lieu of the notes of witness' bank, 2224–2228——Payment by the people of Scotland of the subsidy represented by the privileges of the banks, 2229–2232——Probable disadvantage to the public eventually by extending the Scotch monopoly into England, 2235, 2236——Witness does not object to an issue of 1 *l.* notes in England, 2242, 2243. 2284–2287. 2319, 2320.

(*Mr. Wade and Mr. Atkinson.*) Explanation relative to the commission charged by Scotch banks to English banks for collecting cheques and bills in Scotland, whereas Scotch banks can collect in England through the country clearing free of charge, 2249–2256.

(*Mr. Wade.*) Degree of check to the gold circulation by the practice of the Bank of England as to charging for light weight, 2269–2284——Slight weight attached to the objection to 1 *l.* notes in England, on the score of forgery or of panic, 2285–2287——Facility in conducting the London business of the National Provincial Bank before it had a branch in London, 2288–2292——Improbability of country issues circulating in or near London, 2294–2297.

Report, 1875—*continued.*

Wade, Richard Blaney, and Edward Atkinson. (Analysis of their Evidence)—*continued.*

(*Mr. Atkinson.*) Special arrangement between the National Provincial Bank of England and the Union Bank of Scotland as to the charge for the collection of cheques, 2298–2304. 2328, 2329.

(*Mr. Wade.*) Considerable sum represented by the unpresented notes of witness' bank, 2305–2308——Economy of notes through the increased use of cheques, 2309——Decreased proportion of country notes in England as compared with the increased business of the banks, 2311, 2312——Importance of the capital and reserves being increased in proportion to increase of liabilities, 2313–2315——Cost of from 400 *l.* to 500 *l.* a year in managing a small country branch, 2316–2318.

Expectation that the English people would after a time accommodate themselves to a 1 *l.* note circulation, 2319——Payment formerly of the notes of witness' bank at all the branches, though they were legally payable only where issued, 2321, 2322. 2324——Re-issue of the same notes by the bank, 2325, 2326——Doubt as to trade being materially injured by the substitution of Bank of England notes for local issues, though witness would regret this change, 2327.

Western Bank of Scotland. Large excess of authorised issue at the time of the failure of the bank, *Fleming* 34–43——Belief that there is some mistake in a certain Return purporting to show that the circulation of the Western Bank at different periods was about three times the amount, as returned to the "Gazette," *Gairdner* 1142, 1143——Impression as to the Western Bank having given higher rates for money than the other banks, *ib.* 1292.

Statement in further explanation of the apparently large discrepancy between the circulation and authorised issue of the Western Bank of Scotland at certain dates, *Gairdner and Fleming* 1318——Illustration, in the case of the Western Bank, of the small amount of notes, loss, or not presented, *Gairdner* 1319–1321——Amount of unclaimed deposits of the Bank, *ib.* 1322, 1323——Absence of public disadvantage by the withdrawal of the circulation of the Western Bank; necessity of more gold in the country in consequence, *ib.* 1624–1627.

Explanation as regards the noteholders of the Western Bank at the time of its failure, that they suffered no practical inconvenience through the failure; considerable reduction in the amount in the hands of the public during the fortnight preceding the stoppage, *Fleming* 1674–1685——Wrong principles of management, which led to the failure of the bank, *ib.* 1689.

Payment in full of all the creditors of the Western Bank, though the shareholders were heavy losers, *Dun* 6470. 6472——Illustration, in the case of the Western Bank of Scotland, of the risk incurred in extending operations far from the centre of management, *Smith* 6994–7006. 7105–7112——Large losses of the bank through its agency at New York, *ib.* 7107–7169. 7138.

Working Expenses of Banks. Facility to cheap banking by the privilege as to over-issue and as to keeping a reserve of unissued notes in the tills of the various branches, *Fleming* 41–50; *Gairdner* 978–983. 1424–1426. 1433–1440; *Davidson* 1080–1089——Estimate of about 1 *l.* per cent. upon the cash deposits as the expenses of the Scotch banks, *Gairdner* 909–912——Reduction since 1870 in the average expenses of the London joint stock banks in reference to cash deposits; per-centage of 13 *s.* 2 *d.* in 1874, *ib.* 1132——The expenses of the Scotch banks are about 1 *l.* or 1 *l.* 1 *s.* per cent. upon the deposits, *ib.* 1345.

Importance of the question of expense as affecting the question of relative profits of Scotch and English banks; cost of the numerous branches in Scotland adverted to hereon, *Gairdner* 1467–1503——Higher rate of expenses of the Scotch banks than of the London joint stock banks, *Fleming* 1344, 1345.

Calculation that the working expenses of the three Ulster banks represented by witness amount to one and a half per cent. upon the deposits, *Bristow* 3543–3548.

Statement relative to the per-centage of working expenses upon deposits in the case of witness' bank; expediency of all banks being equally required to supply this information, *Readman* 3754. 3846–3850—— Objection to a Return of the working expenses of the Scotch banks unless English joint stock banks be required to make a similar return, *Fleming* 4055. 4066–4069.

Return of the total amount of the working expenses of the joint stock banks in England, Scotland, and Ireland, distinguishing between rent or interest on money expended in buildings and other expenses, and omitting interest on capital and reserves, *App.* 554–558.

See also *Rates and Charges.*

1981-1